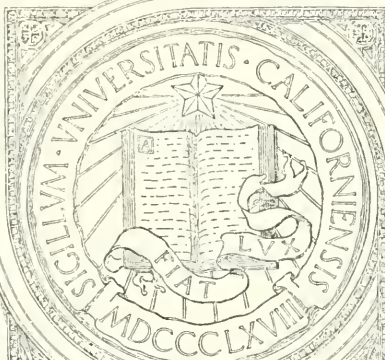




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DEMOCRACY AND CAPITAL



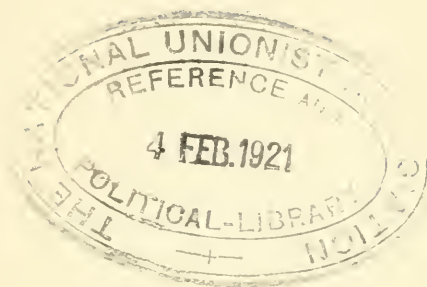
# DEMOCRACY AND CAPITAL

BY W. BARNARD FARADAY, LL.B.

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To the Memory of my brother,  
Private  
Frederick Richmond Faraday,  
7th Battalion  
(1st British Columbia)  
Canadian Expeditionary Force.  
Killed in Action,  
Festubert, France,  
May 24th, 1915.

*Amicus usque ad aras.*

379391





## PREFACE

My principal object in writing this book was to point out the enormous waste of time and energy lost by the "Workers of the World" in the Collectivist argument. I do not personally fear the success of Bolshevik propaganda in England or America, but I have considerable misgivings on the subject of disastrous adventures in nationalisation in both countries, and I do deplore the misguided ambition and doomed hopes of many thousands of working men, who in pinning their faith to Socialism are pursuing a chimera, and letting real opportunities slip by. An intelligent working man, to-day, will be able to give any one of us an excellent explanation of the theory of surplus value, and then, immediately after, will go and insure his life in an Industrial Company at weekly premiums. If he applied half the intellect and industry involved in a study of Karl Marx, to the investigation of the tables of Life Assurance Premiums in some good almanack, or to similar easily procurable means of practical information, he would not lose his way in the mazes of life as he does at present, and would be in a position to provide decently for his own old age. This is only one illustration. It is largely the Labour agitation in every country in the world which has closed the eyes of these men to the advantages of the times

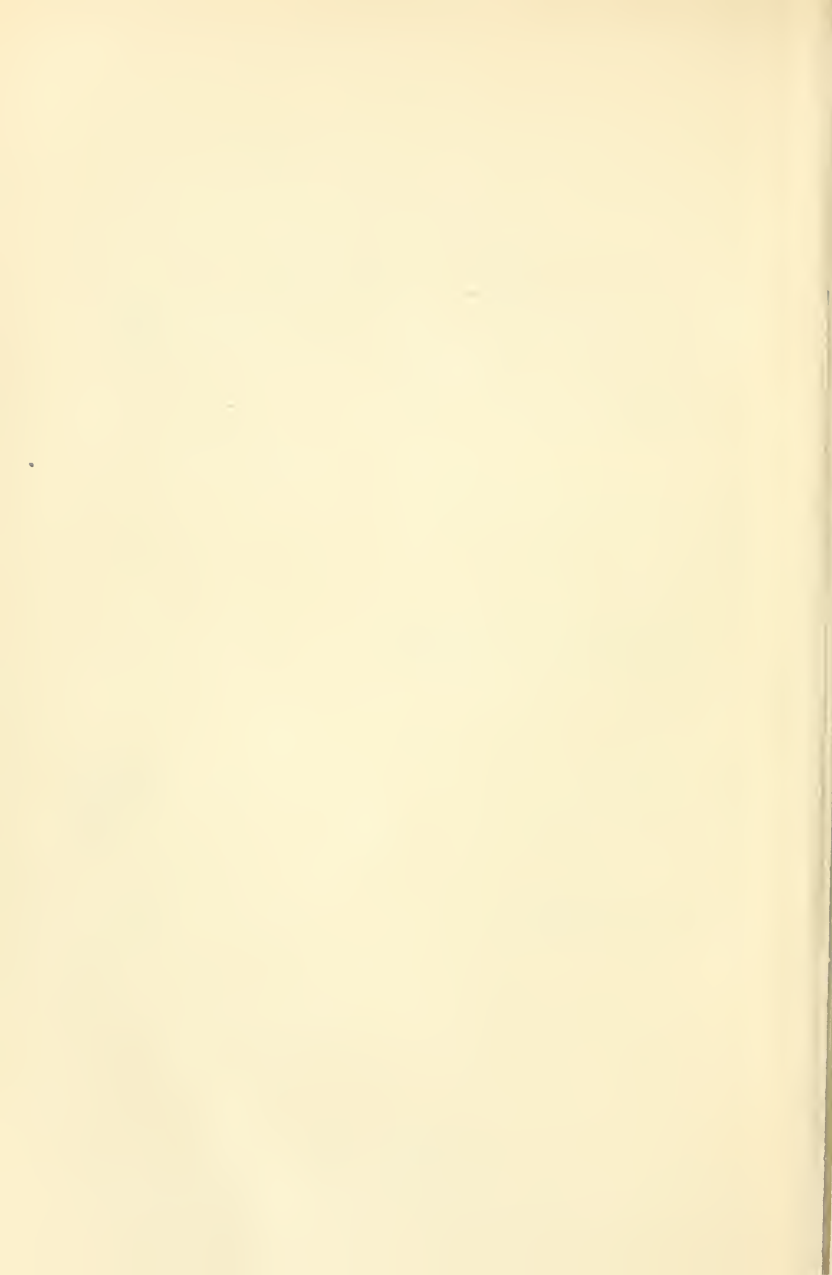
in which they live, with the result that all the real value of modern popular education and all the advantages of modern finance have been wasted and thrown away. The real safety of the State, the hopes of the workers and the welfare of the nation lie with the great Banks and Insurance Offices, and it is on these financial institutions that the prosperous democracy of the future will be founded.

W. B. F.

THE TEMPLE,  
*March, 1920.*

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# DEMOCRACY AND CAPITAL

## CHAPTER I

### THE LABOUR CONSPIRACY

ONE of the most obvious of political developments to-day, in every country in the world, is a widespread, highly organised and well-advertised demand for the nationalisation of various interests and industries. The advocates, chosen or self-appointed, of large sections of the population, are working hard to impress upon Government and people their theory that the public ownership and control of three or four of our most dominant forms of enterprise is the only way to that social betterment which is supposed to be the common aim of all parties in the State. It is also fairly obvious that the public itself has not in any way seriously considered the question, and that, if the ordinary view of the British people could be translated into words, it would be found to consist mainly of a deep-seated and almost instinctive distrust of all forms of Government enterprise.

There is, however, another point of view. When we examine any new departure in our economic progress, or any so-called social reforms, the initiation of which is seriously threatened, we should

always ascertain, if possible, whether the change in question is a natural evolution out of our preceding social custom and practice consistent with our habitual line of development, or whether it is not merely the result of an agitation, strongly pressed, foreign to the line of progress along which we are moving, and forming in itself a retrogression rather than an advance. An example will illustrate the meaning of this.

Under the manorial system of land-holding in England, there were existing side-by-side two widely different forms of land tenure—the freehold and the copyhold. At an early period this distinction was emphasised because of the distinctive nature of the services rendered by the two classes of tenants, and the essential propriety of distinguishing between them under the then system of rural economy. As time passed, the economic and social life gradually changed; feudal expedients became out of date and unprofitable, and all reason (except purely antiquarian curiosity) for distinguishing between holders of land in the old manner, disappeared. Efflux of time and changing agricultural conditions had destroyed the real significance of the distinction, and the natural result was the passing by the Legislature of the Copyhold Act in order to hasten the simplification of the land system. Now it is claimed by those who advocate it that nationalisation of large industries—or public utilities, as they term them—is a step in this nature. With the concentration of important masses of capital in order to achieve the large results necessary to the public, a need arises, they say, for public ownership, so that the concentration of the capital is in itself a proof of the truth of their theory that nationalisation or socialisation of everything is a logical

outcome of present-day economic tendencies, and Marx fifty years ago asserted this with the same vigour with which it is preached to-day.

The avowed aim of the Socialists and their allies is to help on this result with all their power, and there is no doubt that in many ways they have achieved some very remarkable advances towards their ideal. Quite apart from the added interference of the Government in private trade which was one of the results of the Great War, and the large measure of municipalisation which the earlier "London Programme" of the Fabian Society and its followers had achieved, the Co-operative Union had also by its own propaganda to some extent confused the old hard and fast line which separated the provinces of State effort and private enterprise. At the first glance it would not seem that the co-operative movement had anything in common with Socialism. As originally conceived, the Co-operative Societies were amalgamations of consumers banded together to foster direct trade between producer and consumer, and so abolish middle-men or distributive profits. They were imagined in the interests of their own members, and were in fact one form of private capitalism. Though their advantages were somewhat exaggerated, they did and do undoubtedly perform decidedly useful and patriotic work, notably in the inculcation and practice of thrift and social communion among their members. As things stand to-day the Co-operative Societies have to a very large extent passed into the control of Socialists. They have drifted I think in certain directions far from their original practice and theory and openly confess that their endeavour is, by multiplication of branches, propaganda, and the defeat of the private

trader, to bring about the co-operative commonwealth. There is a long road for them to travel, but the movement must not be ignored, as it is not the least powerful of the many agencies now striving for the suppression of private enterprise. At a cursory glance it does appear that by degrees a Co-operative Society could so extend and absorb that it ultimately came to include the whole of the people of the country on its membership roll. It would thus without violating its constitution exercise a double power, political and economic, of so compelling a nature that it could usurp the functions of the State itself and so bring about the co-operative commonwealth. It is a vast dream, but it is believed in by many co-operators, and, provided one can swallow many assumptions, its practicability can be demonstrated. One can, of course, dismiss with a shrug of the shoulder, such possibilities as dishonesty of the directors, discontent by the employés, difficulties of banking and foreign exchange, organised competition and under-selling, internecine quarrels of the members themselves, and so forth. If none of these occur (and they would occur in many societies) the dream is possible. Still the development of the co-operative commonwealth out of the Co-operative Society is an argument in favour of the evolutionary theory of Socialism. So far as can be seen, it is the only argument. Whether such a co-operative commonwealth once achieved would be proof against the ordinary natural laws of decay and parturition is another question. Whether the societies will continue to hold this view is for themselves, but to the average co-operator Labour politics are a small matter compared to the society. Herein lies their salvation. They have no real desire to



pay the piper while the Labour party calls the tune.

Examined historically, however, the argument in favour of the inevitable and evolutionary nature of Socialism fails. Two tests may be applied to it, one viewed in the light of historical jurisprudence, the other of economic history itself. The juristic view may be taken first, and it consists almost entirely of that point of view which is acquired by a study of the place occupied by contract in the history of human affairs.

The curious nature of early contract as illustrated in the earliest law of Rome in that form known as *mancipatio* is a proof of this. Its sanction depended as much on religion as on law. In the best surviving example we have of primitive institutions (the Mohammedan law), the precepts of the Koran are the real force behind the obligation. The origin of organised human society lies in custom and in rule and the members of a primitive society had their places marked in that primitive society by these two things. To simplify the matter we will limit the issue to labour itself. In any society higher than bestial savagery, which lives on the spontaneously growing fruits of the earth, labour is a necessity. In primitive society labour fell to the lot of slaves, wives, and children, between which classes of persons there was not in practice very much difference. This represents a condition of society in which what is called "status" is the ruling idea. A person is what he is because he is what he is. The institution of "caste" so familiar in Hindoo civilisation is a development of status. There, the very fact that a man is born of certain blood decides for him, before he is born, whether he shall be soldier, or king, priest or farmer. So in all

ancient nations and some modern ones, the rule of status decides the lot in life of all. If the parents are slaves, the child is a slave; if the parents are free, the child is free. This state of society and those ameliorations of it short of civil freedom which form the ascending ladder of free will, is the only form of social organisation in which what is called "class-government" prevails. The favourite denunciation of our existing society by the Socialists is that we are under class-government. It is hopelessly untrue. Men in our society do pass freely from one class to another. There is no bar either of law or custom to close the higher ranks to the humblest and when this power of free transition exists there is not and cannot be such a thing as class-government.

A condition of status or caste can, however, be artificially maintained, and is sometimes eulogised as a triumph of efficiency and even of democracy. It would obtain, for instance, as a result of a highly co-ordinated system of State-education, and though in that event not nominally so debasing to the bulk of the population as the blood-slavery of antiquity, it is calculated to be more fruitful in popular discontent. The educational system of the late German Empire was of this character.

Now in primitive society the toil of production was almost exclusively carried out by slave labour. In other words, man worked because of his status as a slave or labourer. In subsequent forms of society various modifications of condition were introduced, and throughout all our history from the slave labour of Roman Britain to the thralls of the Saxon, the serfs *adscripti glebæ* and the *villeins regardant* of Plantagenet England, this notion of status persists. It is gradually growing more

indistinct, but it is there, and only finally disappears at the beginning of the nineteenth century when Justices at Quarter Sessions ceased to fix rates of wages. Henceforward man worked for what he agreed to accept, and he came of his own free will to enter into a contract.

There can be no doubt, setting aside for the moment the Socialist contention that the wage-labourer of to-day is materially worse off than the serf of the middle ages, that this represents a considerable advance in the ethical sense. This is not the place in which to enter into a disquisition on the moral advantages of free-will, or the respective merits of a life lived according to the voluntary choice of its possessor as opposed to a life conducted according to the precepts of inevitable doom. It is not, however, in the interests of the community itself that the ambitions and endeavours of men should be limited by status or caste.

"The progress of society," says Sir Henry Maine\*, "is from Status to Contract"—that is from fatalism and acquiescence to free-will and ambition, and no change in our method of administration, which takes from the citizen his power of choice, and power of pursuing his unfettered ambition, can be an advance to anything but decay. In the socialised or nationalised state we must inevitably find this choice and power removed. In the civil services of every nation, and markedly so in our own, we see the blighting results of the lack of personal risk and responsibility. It is not true, therefore, in the juristic sense, that nationalisation, which implies the substitution of State routine for individual independence, is in any sense an

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\* "Ancient Law."

advance. It is clearly a reversion to the congealed effort of the most conservative of early methods. Nationalisation is an abandonment of contract and a return to status, and to the thoughtful mind stands condemned to the full, were no other counts in the indictment to be raised against it.

This is perhaps the right place in which to refer to one of the manufactured grievances of the present day. It is one of our misfortunes, as it is of every community in which the principle of democracy is widely applied, that we are governed largely by catch-words. A subtly coined phrase, which tickles the popular ear, passes for profound wisdom, and has before now in recent years betrayed us into national follies. It is possible to express a profound and invaluable truth in such language as to make it appear prejudicial. A most relevant example of this is found at the present day in the widely advertised proposal that it is wrong "that labour should be a commodity"; that "the labourer sells his labour for a subsistence," and so forth, coupled with quite adequate expressions of distaste for a state of society in which the moral sense is no more elevated than to permit it.

It is not by any means clear what they would have. Is it better to sell your labour, or to have it taken from you? To sell your labour at a price in which you have some power of bargaining, or at a price which is fixed by others, and which you must accept? If your labour is a commodity, in heaven's name sell it for such things as you require, but sell it as a free man. There is no choice but between contract and conscription; there is no alternative to the volunteer but the press-gang. Nature is a foe with whom we must fight or perish. We fight her with our labour. When we embark upon life,

we enlist in the army which is to wring from her those things which are needful to us, and it is still our national spirit to enlist as volunteers.

It now remains to apply our second test to the statement that nationalisation is a natural and inevitable outcome of present day developments in the distribution of wealth. The contention we have to examine consists here again of various catch-words which may be summarised as follows :— “ Wealth is becoming concentrated in fewer and fewer hands, the rich are becoming richer and the poor poorer, and the middle classes are being crushed out.” Here again the belief is based upon the unsupported theories of Marx. “ Allow the present concentration of capital to go on unchecked,” he says in effect, “ industry will amalgamate with industry and trust with trust until there is at the end only one gigantic trust. We shall dispossess that and the social revolution will be accomplished. The capitalists are organising the community for us.” The whole of this ingenious theory can be demolished at once. The logic is correct but the facts are wrong.

It is not true that capital is being concentrated in fewer and fewer hands. Capital is becoming more and more widely distributed with every year that passes. It is not true that the rich are becoming richer and the poor poorer. The exact opposite is the case, for inequalities of wealth are less marked and the progression of society from the richest to the poorest more gradual than ever before. It must not be forgotten, however, that the war has made such a sudden and violent disturbance in our national economy (the full results of which it is not yet possible to estimate) that many of our former calculations are temporarily inexact. Whatever

the results of the war, however, it has not been to make the rich richer or fewer. It has added to the number of rich, it has hit the old middle class hard, it has made some of our former poor less poor. It has also probably to some extent made the former very rich less rich ; the middle class (i.e., the new middle class) is larger than formerly.

The point arises as to whether the disastrous effects of the war on the old middle class will be permanent. It is hardly likely. In the inverted conditions under which we are living to-day a working miner very often makes a bigger income than a University Professor, while the brain-worker generally is less prosperous (in view of his commitments) than the man who works with his hands. That such a condition should continue is unthinkable. The brain-workers must always, as a class, be in a stronger economic position than the manual workers in the end.

It is always interesting in the consideration of these problems to examine them in the light of biological experience. Many economic problems are in their nature biological, and the rules which govern the one science can frequently with convenience and truth be applied to the other. In the end both will be found to depend on the laws of competition and effort.

We can thus, on estimating the future of the brain-worker as compared with the manual worker, form our conclusions by a comparison with that earlier period in our history in which man, but little better than a brute himself, was contending with the brutes for the supremacy of the world. He raised himself to be heir of all the ages by the wisdom and cunning of a brain, which, ill-developed as it was, ungifted by experience, was yet more wise and more



cunning than those with which it fought. Compared with his rivals, the abhorrent mammoth, the cave-bear, and the sabre-toothed tiger, man was but a tuskless, clawless, naked dwarf. Yet he won, and in the economic struggles of the present and future the power of the mind must in the end triumph over mere numbers and muscle.

At present the middle classes, on account of the fixed nature of their incomes, which have not advanced with the altered value of money, on account of the heavy war taxation, and on account of the high prices caused by the high wages paid to labour, are suffering acutely. But with this reservation—which is purely temporary and must in the end amend itself—we can assert the general falsity of the statement that the rich are growing richer and the poor poorer, and that the middle classes are being crushed out. Conditions brought about by the war are catastrophic in their origin and transient in their effect. The main tendency of our economic system is towards the equalisation of wealth and the enlargement of the middle class.

This is a feature exceptionally well marked in the United States, as it is in all the greater "British Dominions beyond the seas." The undeveloped natural resources, the thinner populations, and the more frequent opportunities for achieving fortune have had the effect of greatly enlarging the ranks of the middle class. One would for this reason expect in all these countries an animosity towards Socialism, especially when we consider the comparative ease with which land can be acquired. The Socialist vote in such countries appears to be very largely recruited from the immigrant populations. This of itself is likely to be a source of weakness to it, irrespective of its comparative

insignificance, for the native populations, well established and acquainted with the real needs of their country, would resent the fantastic economic notions of the new-comers from Europe. In Australia, singularly enough, Socialism has made great strides. I think this is due to the preponderance of an urban population—about 40 per cent. of the population living in great towns. It may be presumed that the warmth of the climate has had a relaxing effect on the enterprise and mental courage of the poorer classes. No allegation, it should be observed, could be faintly conjectured against their physical pluck.\*

In Great Britain a more detailed inquiry is requisite.

Few will question the accuracy of the statistical work of the late Sir Robert Giffen, and in his "Essays on Finance" he gives the following figures for the year 1843:—

|                                     |    | Total<br>Income. | Average<br>per head. |
|-------------------------------------|----|------------------|----------------------|
|                                     |    | £                | £                    |
| The Rich ( $1\frac{1}{2}$ millions) | .. | 280,000,000      | 187                  |
| The Poor (26 millions)              | .. | 235,000,000      | 9                    |

To get the figures for the present year (1920) is a more difficult matter, in view of the fact that practically all our sources of information, as, for instance, the Census of Production, 1907, are pre-war. The extraordinary difference in the value of money, too, makes any comparison difficult. In the older calculations on this point it was customary to divide the population into two groups—(a) those having more than £160 a year (the Tax Exemption level), who were called "The Rich," and those (b) having less than that income, who were the poor. In the following table the annual income of £250

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\* See "Australian Socialism," by Senator St. Ledger, 1909.



has been taken as the dividing line. Owing to the fall in money values and the extensions of the tax downwards, this step was necessary for statistical accuracy. Again, any estimate of the national income is very problematical. It is certainly considerably more than in 1911, when the Census of Production enabled a National Income of £2,030,000,000 to be computed. It will probably be found that the sum of £2,550,000,000 represents our annual income, approximately, at the present time. On this basis we get the following net income :—

|                                        | Total<br>Income.          | Average<br>per head. |
|----------------------------------------|---------------------------|----------------------|
|                                        | £                         | £                    |
| The Rich ( $4\frac{1}{2}$ millions) .. | 692,000,000               | 154                  |
| The Poor (41 millions) ..              | 1,585,000,000             | 39                   |
| Income Tax ..                          | 273,000,000               | —                    |
|                                        | <hr/> 2,550,000,000 <hr/> | <hr/> 50 <hr/>       |

A fair estimate given for the year 1905, based on Income Tax returns and the customary estimates of wages, is as follows :—

|                           | Total<br>Income.          | Average<br>per head. |
|---------------------------|---------------------------|----------------------|
|                           | £                         | £                    |
| The Rich (4 millions) ..  | 728,000,000               | 182                  |
| The Poor (39 millions) .. | 1,022,000,000             | 26                   |
|                           | <hr/> 1,750,000,000 <hr/> | <hr/> 40 <hr/>       |

The recent rise in the cost of living has indeed rendered the increase in the income of "The Poor" largely nugatory, but this does not mean, as is sometimes asserted, that they are therefore "robbed of an increasing amount of surplus value." If this is suggested, the obvious reply is to examine the

income of "The Rich" and compare it with the income of "The Poor."

In 1905 the average income of a well-to-do family was £910. It was worth £910. The average income of a family of the wage-earning class in the same year was £130. It was worth £130. In the present year after the Income Tax is paid, the average income of a well-to-do family is £770. It is worth about £385\* at present prices. The average income of a family of the wage-earning class is £200. It is worth about £100\*. This short demonstration will make several things clear: (1) that the war cost a great deal of money and that we have not yet paid for it; (2) that there is a great truth in the story of the "New Poor," people who with substantial incomes formerly have now had those incomes reduced, and because they have to meet pre-war commitments are now in actual fact more penurious than the wage-earning class; (3) that a total distribution of the National Income on Socialist lines would not benefit the wage-earning class, because they would receive very little more than they are getting at present—a conclusion which Professor A. L. Bowley has already reached by a different road; (4) that as a consequence of the war a levelling process has been apparent. As a natural result, this has been a "levelling down," and everybody is worse off. No process of "levelling up," owing to the immutable laws of nature, has yet been perfected—none, that is, but the accumulations of capitalised wealth made possible by the precept and practice of private capitalism. The poorer we are the nearer we approach to equality. If all had nothing, all would be equal.

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\* Pre-War Value. The Rich are 60 per cent. and the Poor 25 per cent. worse off.

It is to be deplored that the supporters of the labour movement always argue from the particular to the general and treat the exceptional as the rule. Only a very few of the people of this country object to moderate wealth, but it is possible to stir up intense feeling by the sight of vast wealth ostentatiously and lavishly spent. The seizure, however, by the State of all the great fortunes and their distribution among the masses, or the diversion of their entire incomes to public service, would make no appreciable difference in comfort or well-being to any person in these kingdoms; the victims would be pauperised and the wealth would disappear with less effect on the general mass than a pebble thrown into a lake.

By a kind of tacit understanding we regard £5,000, the income of a Cabinet Minister, as a moderate but sufficient income. Very well, let us confiscate all incomes above £5,000 a year. Here are the results. There are 22,565 persons in receipt of that income or more. Their total incomes are £290,350,000. The Income Tax they pay amounts to £124,011,000, leaving their net incomes £166,000,000. so that even if we took the lot there would only be about £3 10s. a year, or about 1s. 6d. a week for each of us. But we should be willing to allow them £5,000 a year each, less tax. 22,565 incomes at £5,000 come to £112,800,000; tax on them at present ratio is £41,000,000; the net incomes therefore amount to £72,000,000. Thus the amount received for this colossal robbery would be only £94,000,000, or one shilling a week each, if we got it, so that the whole scheme of society would be turned upside down, risks innumerable run, business bankrupted and unemployment caused, in order to give each of us the value of an ounce of

tobacco a week. In spite of the enormous wealth of numerous individuals in the United States, a similar inquiry would show very similar results there. There is no country where "financial independence" is so usual or real destitution so rare.

It is very much open to question whether any person in the country would gain by the redistribution of income on the Socialist basis of absolute equality. Certainly the majority of people would lose, for the disturbance of business alone would reduce the national income. Equality of remuneration would also carry with it equality of prices, rent and all the rest of it. To-day the local prices to a certain extent determine the local wage, so that it does not by any means follow that lower-paid men are economically worse off than men in other localities drawing higher pay. Further, many of those at present drawing what appears a low wage are young and have a reasonable and probable chance of getting more as their years and expenses develop—staff porters on the railway lines, for instance. To a large extent these young men looking for promotion bring down the general average.

When the certain risks are taken into account, mismanagement and waste by public departments, loss of income from abroad, lack of enterprise at home, we must realise in view of the small difference between the average wage of labour to-day and the most it could receive under equal socialisation, that the odds are weighted against any advantage accruing to labour under the latter scheme.

The benefits peculiar to labour from certain taxation must not be lost sight of. The rates paid under the Poor Law, Old Age Pensions, education,

the present bread subsidy, and numerous other items amounting in all to not less than £200,000,000, should be added to "the share of labour." With this addition the average yearly income of the average wage-earning family is not far short of £230 per annum.\* The total amount paid in wages and other benefits to this class is £1,800,000,000, or rather more than the total national income computed by Sir L. G. Chiozza Money when he compiled his "Riches and Poverty" out of statistics furnished by the Fabian Society some fifteen years ago. Hence, in contrasting the capitalist form of society with that urged by the Socialists, we must not lose sight of the fact that with the growing wealth under capitalism the tendency is for labour as a class to receive in the second generation all that Labour and Capital together received in the first. The share received by capital, or the rich, or the employer class (whatever name may be preferred), is in no sense "surplus value." It is new value, new income, continuously added generation by generation to meet the continually growing demands of the employed class. A Socialist society, completely successful, void of those faults which our experience connects with all forms of public enterprise, could do no more. The probability is that it would do very much less. Thus we see that under the existing system of ownership of capital, which has existed with only a few small exceptions to its general rule throughout the history of the world, the rewards of both capital and labour flow into the hands of their respective possessors in increasing portions—and the less the amount of

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\* This ignores the fact that the average wage-earning family has more than one wage-earner.

State interference, the faster they flow. "The proper place for the wages of the labourer," said Francis Walker, "is in his own pocket." It is a complete mystery how any sane man could confuse popular democratic ownership with State ownership. In the former, the labourer has something; in the other, he has nothing.

It remains to be seen what effect that peculiarity of modern civilisation, the concentration of capital in exceptionally large masses, has had on the general distribution of wealth. It is sometimes assumed that that very concentration of capital in organised effort, so necessary for the great results of modern industry, has resulted in reducing the number of the owners of that capital. Nothing could be further from the truth. It will generally be found in any progressive country that with any social or economic change necessitated by the growth of that society, the injustice to some members or classes which might result from such change is tempered by some other economic change of simultaneous growth. In other words, the antidote is found growing very near to the bane. In very few cases is this a result of any conscious act on the part of the society, for these alterations are in general so vast and so gradual that they could only be conceived by a statesman of such transcendent genius as has only occurred two or three times in the history of the world. Indeed, so imperfect is the vision of most statesmen—even of the first rank—that conscious acts on the part of any society will in most cases be found to be transitory in effect or mischievous in their ultimate results. In parenthesis it may be observed that most changes are the result of what is known as national spirit. Every community develops on lines very largely peculiar to



itself. The interpretation of national spirit is a task covering more than one generation as well as a calculation concerned with constantly varying factors. To the historian belongs the duty of interpreting the national spirit of the past, and even with the completest of records, it requires a vision and a sympathy sufficiently unusual. It is barely possible for us to-day, for instance, to interpret accurately the political reasoning of Plantagenet England even with the written word before us. What prophet is likely to arise who could foretell the thoughts and feelings of the twenty-fifth century? Hence the extreme peril of all attempts at revolutionary legislation, by which the fathers eat the sour grapes and the children's teeth are set on edge. The safeguard is that mistakes of the sort are by lapse of time corrected. Society automatically protects itself, not by adjusting its ordered course, but by ignoring and absorbing the results of ill-judged experiments adverse to its line of development.

Now, in the concentration of capital we have a phenomenon which of itself would represent a social evil, because in a sense we have monopoly both of ownership and control. To counteract this a device has been perfected by which, though the executive action of this amalgamation of capital has been in no way impaired, its economic control and ownership has been made capable of wide distribution. This device is the joint-stock system, which has been gradually perfected not as the result of any conscious act of statesmanship on the part of the legislature, but which has arisen out of a practically universal demand from the very necessities of the case. To the student of comparative law it is specially interesting to observe how this system, indeed, has arisen spontaneously in all those

nationalities which have any necessity for it—viz. those peoples under the domination of Western civilisation—and has failed to arrive in other countries (e.g. China and native India), where there is a civilisation equally ancient but which has not adopted Western methods of scientific production.

It is one of the peculiar phenomena of human intellect that it can visualise things of which it has no experience. As opposed to the instinct of the brute creation, which guides its possessors in the line of prudence as a result of generations of painfully acquired experience, the human being has the divine gift of imagination and conceives works vastly in excess of its present power. Such a labour as the construction of the Canadian Pacific Railway, for instance, was readily imagined, and was, in fact, essential to the civilisation of which it forms so important a part. It was, however, possible for an association of persons to carry out the construction of this work by pooling their resources and thus achieving a result which would have been beyond the powers of a man richer than any of his fellows, living or dead, and beyond the powers even of the State which the construction in question was designed to benefit.

Thus the very fact that necessity compels a concentration of capital also compels its concentration in a form which assists its ready distribution, and the natural law of growth and dissemination is carried out. The wheat plant grows and bears its ear, but the seeds are scattered when ripe. It must here be observed that the contention that production is social and that therefore distribution must be social also, will not hold water for an instant. And the pretension that greater efforts can be carried



out by social co-operation than by the individual is equally false. The origin of all production lies in an individual act. Man himself, the source of all property, is produced, not by a co-operative commonwealth, but by his mother, and the imagination boggles at the idea of a town council consisting of earnest and consistent representatives of the world of labour trying to surpass the result achieved in this direction by even the humblest specimen of her sex. From another viewpoint the acts of individuals are responsible for all of the great results of modern industry. Sir Humphry Davy produced the modern output of coal, George Stephenson made the railways, Wheatstone the electric trams, Perkin the dyes—the list is infinite. The commonwealth, co-operative or otherwise, profited by their work, but did not in any way assist them. The first boat was invented by a savage who, in order to escape from the spears of the co-operative commonwealth to which he belonged, jumped upon a floating log and paddled himself across a tabooed, or devil-haunted river; and the wheel, the greatest invention in the history of man, which has no semblance in Nature, was invented by another outcast from the community who, in the days when the mammoth was the only source of traction, rolled a similar log down a hill.

Capital so easily divisible as joint-stock capital follows the ordinary process of the tendency of all property to be subdivided into small portions by the devolution of interest from one generation to another, so that the efflux of time and the natural affection between parent and children brings about that wider distribution of ownership which is desired. It must be remembered that the preservation of great estates is in itself a violation of natural

economic law, and even in Great Britain, where the custom of primogeniture has for ages been followed, even there the operation of inevitable tendency has persisted in spite of the strongest and most resolute attempts to defeat it by artificial means. Thus the whole tendency of modern civilisation, and particularly the modern view of the family, is against the concentration of capital in fewer and fewer hands. Primogeniture even in England is regarded more and more as an injustice. It is a custom derived from a barbarous age, and though it has left its imprint deep in social usage, it is a decaying principle.

There is one other aspect of the question we must keep in mind, and that is that view which is taken of property in varying states of society, and, in particular, of the barbarous, semi-civilised or even feudal treatment of private property suggested by the Socialists. In a barbarous country, such as Morocco before the French occupation, the security of property is non-existent. The State, in the person of the monarch, claims the right openly to confiscate the wealth of any person sufficiently prominent to be worth robbing. It is only in States under Western civilisation, secure under the rule of law, that the property of private citizens is secure, and it is only since this security was obtained that these States have increased in wealth, democracy and social amelioration. The ideal of the State held by the Socialists is predatory and retrograde, and threatens a return to the earlier barbarism. No doubt the old danger of an overpowering State riding rough-shod over its citizens is concealed to-day in fine-sounding phrases and pseudo-economics, but the effect is the same. It does not matter much to the man who is robbed

whether he is robbed by a Grand Vizier or by a bureaucracy. It does matter much to his humbler fellow-citizens whether their means of livelihood are taken from them by a tribe of marauding Arabs, or by a black-coated Inland Revenue Department hounded on by the howls of Labour members of Parliament. The injury in each case is identical.

It is fashionable to-day among a certain sect to sneer at the ideals of those who, in the first French Revolution, drafted the famous Declaration of the Rights of Man, because even in a time of tumult and outrage they held clear visions of the foundations of liberty, and held property sacred. Few of those who to-day advocate the oppression of property owners have carried their historical studies further back than the Paris Commune of '71, or have even heard of Paragraphs II. and XVII. of the Declaration. They are as follows :—

II. "The end of all political Associations is the preservation of the natural and imprescriptable rights of man ; and these rights are liberty, property, security and resistance to oppression."

XVII. "The right to property being inviolable and sacred, no one ought to be deprived of it except in cases of evident public necessity legally ascertained, and on condition of a previous just indemnity."

It is the fault of those who to-day advocate nationalisation that they have cut themselves adrift from principles and that their actions are dictated by political expediency and by a desire to secure power for themselves by promising to reward a facile democracy with the goods of other people. They do not see or do not care that by so doing they are destroying that very democracy themselves and are in fact destroying whatever measure

of well-being exists both of their dupes and of unborn generations. Robbery is robbery whether by a State or a bandit. Government is not government when it is not itself governed by principle: it is anarchy. No Government can make evil good, or good evil, or black white, just as it pleases. The ten commandments yet present, even to the agnostic, a perfect expression of expedient morality, and the ten commandments apply to Governments and to the officials of Labour organisations just as much as they do to individuals.

The attempt is made in the United States to urge that just as the American Constitution forbade inequalities of rank, the right interpretation of that Constitution would abolish the property-owning class.\* So far-fetched an idea it is not necessary to combat. Rank is an artificial limitation of natural rights. Property is a natural right itself, and it is the interference with natural rights which causes the distresses of humanity.

Truly the fates cry woe to that people which ignores these laws, for they are something in addition to the divine commandments to a special race. They are the universally accepted creed of mankind upon the surface of our planet, inborn into the institutions of all nations from the naked savage to the Greek. They are the Primal Laws, the essence and foundation of all jurisprudence. From first to last you shall not take the name of your God in vain, whether your God be Jehovah, or a symbol of Reason. You shall not steal or slay or seduce

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\* "State Socialism," by T. J. Hughes: Philadelphia, G. W. Jacobs & Co.

or bear false witness. And those who strike out the Primal Laws from their creed forge shackles for their own limbs, for instead of the Primal Laws which mean order and freedom, they get the derived laws of the administrative official, which mean confusion and oppression. I cannot but believe but that God is more sympathetic and more wise than even the Local Government Board.

It will be convenient to summarise here the conclusions now reached on this question of whether nationalisation or socialisation, or public ownership of any kind, whatever it may be called, is a natural or inevitable evolution out of the existing state and past history of our society. Our conclusions are :—

(1) It is not an evolution in the juristic sense, for our progress has been from status or slavery through feudalism to contract. Socialism would imply a negation of contract and a substitution of State conscription of labour. It is therefore retrogressive.

(2) It is not an evolution in distribution, for it is not true that capital is being concentrated in fewer and fewer hands, or that the rich are getting richer and the poor poorer ; but the exact opposite is the case.

(3) It is not an evolution in liberty or morals. Our liberty has grown together with the idea of the inviolability of property and of the increased individuality of the man as opposed to the State.

Here again in the proposals of the Socialists we see a retrogression to a barbaric condition of society in which the power of the State is magnified and the liberty of the subject restricted.

If, however, we examine the strategy of the campaign for nationalisation we shall see that there is a very serious risk indeed of the public being

misrepresented in the matter, and that largely in consequence of certain popular movements on the part of the public itself. One of the most influential sections of our population is that known as the "Trade Unions." It is a very large section, though not by any means the largest. It is organised and controlled by one of the most autocratic forms of government it is possible to conceive, and is to a very large extent publicly and officially represented by men whose political and economic views are at variance with those who elect them. This is not the place in which to discuss the ethics of the Trade Union movement, but whatever the merits or demerits of Trade Unionism in its present form may be, and without entering into a discussion of its root principles, we may affirm without fear of contradiction that many of these organisations which were established for the purpose primarily of collective bargaining, and secondarily for friendly society objects, have been captured and controlled for nearly twenty years by Socialists, and are being used by them for the purpose of advancing their own political objects. It is a truism to say that the bulk of Trade Unionists are not Socialists and that the bulk of the members of Trade Union Executive Committees are. The recent occurrences in Russia have added a factor to the situation which must not be neglected. Whatever else our British Socialists may be, they are not original, and every phase of their curious economic creed is of foreign importation. The word "phase" is used advisedly, for Socialism is not—as its advocates would have us believe—a consistent and invariable economic system. It is variable, opportunist, wind-catching. Its main ideal being that of distribution of plunder, it alters its code and trims its sails



in accordance with the catch-phrase of the moment, and whether its exemplar be Proudhon, Marx, Kerensky, De Leon, Trotsky or Larkin, it is alike inconsistent and variable. The progress of British Socialism, indeed, through its long history of change from the Fourierism of the forties, through Marxianism, Municipal Socialism, Internationalism, Syndicalism and Communism, to the frankly nihilist and anarchic views of the Bolshevik, is a study in contradictions. Every one of these codes is a contradiction of the rest, and they are only alike in the attempt to get, or promise, something for nothing by more or less violent and disastrous means. Our modern Socialists are Bolsheviks in word and thought, not because they personally either know or realise either the results of Bolshevism in Russia, or the motives of the Bolshevik leaders, but because they think that because the Russian extremists succeeded in effecting a social revolution in the Empire of the Tzars, similar methods would pay here. As usual, they are the slavish imitators of half-educated or partially insane foreigners, and their attitude conveys an impression of insincerity. As on former occasions, they have no respect for accuracy. They readily deny established facts where these conflict with their creed, and just as they denied the excesses of the Paris Communards of '48 and '70, they now deny the murder and famine which initiated the rule of Lenin and Trotsky. Their final and most ridiculous contradiction is the association of Trade Unionism and Socialism. Trade Unionism is founded on contract. It seeks to make the wage-contract full, free and fair. Socialism is the negation of contract as it is the negation of everything which has differentiated modern civilisation from prehistoric barbarity.

The supremacy of the Socialists in the Trade Unions to-day is an end which has been achieved by many years of steady effort. The Unions have been captured by the Socialists for one purpose and one purpose alone—to use them as tools and weapons in the social revolution. One cannot but recognise the consummate skill which has brought about this result. In political rivalry there are two means by which success can be achieved. One is the conversion or persuasion of the individual voter by argument, the other is by the mobilisation of political masses. The latter is by far the easier method, and bears with it the seeds of danger to the State of political corruption. It usually ends in rule by a noisy and unscrupulous minority. It is easier to “noble” the secretary of a Trade Union than to convert the 100,000 members of which the Trade Union may consist. The result aimed at by the Socialists has now been achieved in most, if not all, of our greater Trade Unions. Executive positions are held by extremists in very many cases, and the constitution of some of the Unions has within recent years been remodelled so as to place the whole force of the Unions practically in the hands of these extremists or those who have been hypnotised by their theories.

The result is seen in the greater part of the industrial unrest which has so handicapped our country and embittered our internal relations during these last few years. It is the object of the irreconcilables, wherever possible, to foster discontent. Constant and purposeless strikes, alarms and excursions are the order of the day. During the years of war industrial peace had to be secured, and the Government and taxpayer at home, out of loyalty to the troops in the field, had constantly to



placate the Socialist agitators in the Unions and their dupes. One cannot emphasise too much the condemnation which the historian of the future will pass upon these last. Secure in England, they badgered and worried a Government which, heavily handicapped by insufficient provision, was struggling to save the nation in its hour of greatest danger and deliver to our armed forces those munitions on which their and our lives depended. What can one say of those who stirred up the miners to strike work for an extra half-pound of bacon, or to "demonstrate" because they wanted butter instead of margarine!

The authorities have been blamed for making ambiguous and incomprehensible agreements with the men. Of a truth it was not their fault. On most occasions they gave all that was asked, but the agreements were ambiguous and inexplicable because the Bolsheviks, whom the Unions had so foolishly allowed to represent them, purposely contrived it so. The object of these was not industrial peace, contentment, steady work, victory and prosperity. These were the last things they desired. What they did desire were constant industrial ferment, discontent, misery and defeat, so that on the ruin of a nation they could climb into power for themselves and put into practice those nauseous and idiotic political theories which have already caused the death of millions of the Russian people.

That there is no exaggeration in these statements can be easily seen. At the English General Election of 1918 the extremists were everywhere defeated—but they retained their influence practically undiluted in all the Labour organisations. Thus it is clear that the average British Trade Unionist is of himself a loyal, patriotic and courageous citizen,

but in organisations the control of which has been engineered into Socialist hands, his cumulative opinion is the antithesis of his own.

One form which the endeavours of the Socialists have taken everywhere is to foment a cry for nationalisation. To a stranger to our affairs, it must appear that the whole country has gone mad, for everywhere, with the warning of the Great War still fresh in our minds, with the load of debt caused by Departmental waste and official ineptitude pressing upon us, one hears of nothing but Nationalisation. As regards certain forms of wealth, this is an old cry. The agitation for land nationalisation is a hardy perennial; but, added to this, we now have railway nationalisation, mines nationalisation, canal nationalisation and shipping nationalisation.

It is not to be supposed that these are all spontaneous demands to cure defects in important branches of enterprise. The reverse is the case, for the whole business is got up by a stage army of Socialist agitators determined on a more or less bold advance. They are all going to go forward in line demanding nationalisation, each in his own industry, with the result that if they achieve their end this country will be in a condition very little removed from social democracy. It is a cunning move. It does not at first sight strike the observer as specially dangerous. A handful of ingenious wire-pullers able to loom large in the public eye, as though backed by enormous Labour organisations, hope to terrify the Government and hypnotise the people into a policy which all who have considered it clearly realise must lead to enslavement of the people under the paralysing hand of the State.

For it is not true that the people as a whole, or

that the majority of them, want nationalisation of anything. It is not even true, with regard to the mines, that the miners themselves want nationalisation. They do not care one way or the other. It is true, however, that the miners' officials, that the miners' executive committees, want it—but that is a personal desire to themselves. The danger is that by their influence they may persuade their fellows to support them in a spirit of Trade Union loyalty.

In brief then, we are face to face with an attempt to bring about Socialism, which stands a fair chance of success, without the nation realising what is being done. It is an organised conspiracy to trap the nation into a line of policy which, if it is pursued, must end in that condition of society which has earned the contempt of human kind, whenever and wherever, in Peru, Munster, Paris or Russia, it has been practised, which opens its career with promise of comradeship, co-operation, prosperity and peace, and always ends in famine, anarchy and murder. The promises are always the same, the men making the promises are always of the same type, the dismal ending to the scheme is always blood and tears.

During the foregoing remarks nationalisation and Socialism have been treated as practically synonymous terms, but in the interests of accurate definition it will be well to point out various differences. Nationalisation means, strictly, public ownership and private control. For instance, if the land were nationalised, it would belong to the Government. The Government would then lease it or rent it to tenants. Land purchased by the County Councils under the Small Holdings Act, 1907, and by them leased to tenants, is a fair example of this nationalised land. The land itself, it will be

observed, is used for profit by the tenant. Your Socialist, however, says that profit is robbery, and he would not be satisfied with nationalisation. Socialisation means Government ownership and Government control and the total exclusion of profit. Those who work the land under Socialism do so not for profit, but as servants of the State. The status of all men under Socialism, therefore, would be analogous to that of the employees of a municipal tramways undertaking. The proposal to nationalise minerals, therefore, would be true nationalisation, while what is called "Nationalisation of the Mines," involving ownership and control by the Government, is Socialism in the real sense of the word.

It requires no long consideration at the present time to realise the exact nature of the campaign now being developed by the Socialists. It is only part of a larger campaign. One industry after another is to be attacked and badgered. The public is to be inconvenienced. One strike after another, crisis after crisis, dispute upon dispute, is to be fomented. Any excuse is good enough, provided that the public is kept agitated, the employers handicapped and the Government worried. Then, when every one is sick and tired of the whole thing, the cry is to be raised that only nationalisation will bring industrial peace. First the mines, then the railways, then the land, are to be attacked. Transport and shipping follow naturally. After coal, the iron and steel trades are easy game. There will be no end to it. Unless "Labour"—by which we mean the individual members of the Unions—are brought back to some sense of their responsibility as citizens, we have only to look forward to twenty or thirty years of

industrial unrest created very largely by means of grievances capable of easy solution by other means and attended by declining trade, social bitterness, rising prices and national inefficiency. And all for what? In order that a small number of political dreamers of revolutionary type may try social experiments with the British Empire!

There is only one cure for industrial unrest and it is an easy one. Let the sane Trade Unionists purge their Unions of the extremists as the nation purged Parliament in 1918 of the Pacifist and pro-German. When a large number of our present Trade Union officials disappear into obscurity, there will be hopes for a brighter day for British Labour. They are most of them very ordinary agitators of imperfect education. By noise, push, unscrupulousness and luck, they have forced their way into prominence. They have rendered no real service to their fellows, they could disappear without leaving a ripple, but they create among the unthinking an impression of importance. Of course they have their imitators and inspirers among the smaller fry; not a workshop is without some specimen of the genus. Most of these are silly young fellows, also battered on penny revolutionary pamphlets, who are fine and bold and melodramatic when they prate of the social revolution and undertake to keep the red flag flying. The thoughtful will remember, however, that they spoke in a different tongue when it was suggested that they might like to help to keep a worthier banner flying, where real shot were fired, and where the fighting risked not votes, and salaries, but wounds and death. This point of view was frequently urged at a recent Independent Labour Party Conference.

With these people it is hopeless to argue that

the immediate results of their policy will be increased expenditure, increased poverty, increased suffering ; that they are but making worse a condition of things which all sane human-kind should seek to improve. They know it, and glory in it. Any successful attempt at amelioration they hail as a political disaster to their cause. The English language not being good enough for them, they have indeed coined a new word, " meliorism." It is sufficiently ugly without the ugly idea behind it.

They take this attitude for two reasons. The first is very old political strategy. Any popular reform achieved by their opponents is distasteful to them as bringing the other side more into favour. The second reason is, that bad economic experiments, as likely to embitter the populace by their effects and so lead to exasperation, are in their favour. To embarrass an employer, to injure trade, to impoverish the nation by strikes, is just as much a part of their policy as to bring about similar results by fine-sounding but dangerous breaches of economic law in legislation. Both bring about desperation whether from real depression or disappointed hopes. The logical result is revolution, and revolution is what these fanatics desire.

" All this requires a considerable sacrifice of principle, but the Fabian who is troubled with scruples of conscience is not worth his salt and is better out of the way." \*

Or again : " We are prepared to use any means, any weapon, from the ballot-box to the bomb ; from organised voting to organised revolt ; from Parliamentary contests to political assassinations—

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\* " The I.L.P. Future Politics," by H. Russell Smart. *Workmen's Times*, May 27th, 1893.



which opportunity offers and which will help in the end we have in view. Let this be understood, we have absolutely no scruples as to the means to be employed." \*

No excuse need be given for intruding these two old quotations here. The older Socialists gained in candour what they lost in political art, and the movement to-day is more dangerous than in times past, because though its advocates have not changed their programme they have learned to conceal their feelings. The Socialists of to-day—the vast majority of them—conceal their lack of scruple with considerable ingenuity. Anyone who doubts this can verify it for himself by attending any Socialist club or open-air meeting not given under "full-dress conditions" and hear the spoken word. He will not, it may be observed, probably again see such sentiments in print. We are dealing with a highly organised party, or group of parties, in which a strict discipline is preserved, and editorial committees and speakers' classes exercise a strict supervision over the lower ranks. It may easily be gathered, too, that their nature has not changed—if it has, why do so many sections of the party extend the hand of fellowship to the Bolsheviks of Russia whose own papers only a year ago teemed with similar crudities to those which made the pages of *Justice* and the *Labour Leader* in earlier days such revolting reading? "We will turn our hearts into steel . . . We will make our hearts cruel, hard and immovable so that no mercy will enter them, and so that they will not quiver at the sight of a sea of enemy blood." †

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\* *Justice*, October 21st, 1893.

† *Krasnaya Gazeta* (Organ of the Red Army), Moscow, September 1st, 1918.



"The Soviet Republic must be made secure against its class enemies by sending them to concentration camps."\*

"A strict registration of the *bourgeoisie* and its partisans has been organised. Manifestly, anti-Soviet elements are being shot."†

Even thirty years in time and several degrees of longitude have not caused the leopard to change his spots. Our English Socialists denied the clearly-proved excesses of the Paris Communards, which Mazzini himself anathematised—to-day they deny the excesses of the Bolsheviks which the latter used to boast about in their own newspapers. The words of Mazzini (written about the Paris Commune of 1871), call to the mind recent scenes in Moscow :—

"A people which wallows about as if drunk raging against itself and lacerating its limbs with its teeth while howling triumphant cries, which dances an infernal dance before the graves it has dug with its own hands; which kills, tortures, burns, committing crimes without sense, aim or hope; which vociferates like the fool who set fire to his own pile before the eyes of the foreign foe against whom it did not know how to fight."

It must not be thought that this is a digression. The public must clearly face the issue before it :—Socialism or not Socialism. Every right, privilege or duty which the State takes from its subjects, reduces the sum-total of human liberty. Every unwarranted interference of the State in the proper domain of private enterprise creates fresh wrongs which involve further interference. If the State trades in butter, it must also trade in milk; if it

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\* *Northern Commune*, September 9th, 1918.

† *Northern Commune*, September 10th, 1918.

trades in milk, it must trade in cattle. To embark on State trading is to enter upon an incline which leads to an ultimate State monopoly of everything. The Socialists do not themselves deny this obvious result—as a matter of fact in their own publications they repeatedly call attention to it, while it acts as a remarkable stimulus to their ill-judged though confident faith that “Socialism is inevitable.” It is further to be noted that while a venture into Socialism (such as nationalisation of an industry) involves a further venture, so that Socialism is increased quantitatively, just so a taste of the nostrum involves an increase qualitatively—or, in other words, the dose must be made more intense. In this country the mischievous but respectable Fabianism gave place to the Independent Labour Party—still constitutional, but wilder, less informed, more irreconcilable. This phase again gives place to something more extreme, until the followers of the faith have no ideal before them but anarchistic communism. In Russia the course of the disease was dramatic and from the Socialist-Radicalism of Kerensky to the murderous communism of Lenin was a matter of weeks. In dealing with Socialism we are coquetting with revolution. No popular upheaval in the history of the world ever came about without a prelude consisting of the loftiest professions of brotherhood and human rights. In estimating the possible development of Socialism, therefore, we must place at their true value the theoretical altruism and intellectual argument with which it is introduced. These are but symptoms of the ordinary course of the disease of a similar nature to those of the morphine maniac who assures us that his doses of drug are moderate, and that he only takes it to cure neuralgia. The madness and

paralysis come later. We must therefore judge the matter by the clinics of revolution as disclosed in history. These invariably present identical phenomena. The National Convention leads to the terror, the revolution of '71 to the Commune, the various revolutions following the great war in the numerous countries of Central and Eastern Europe pursue the usual course, even in Germany where the Socialists of the "Right" have so far held their own, a powerful Spartacus Party simmers below the surface. The reason is obvious. It is the rôle of the theoretical reformer always to talk and never to do. He builds up hopes which he cannot fulfil. From his feeble grasp the elements which he has unloosed pass out of control, and desperate men, impoverished, encouraged and disappointed, drench their scarlet banner in the blood of their fellow citizens. This line of reasoning—if such it can be called—is clear enough. "You promised us a perfect world by means of Socialism, but your Socialism is too imperfect, too half-hearted. It has failed, therefore we must carry it further. Only thus can we obtain that which you have promised us." Thus it is wise to attach little importance to the Fabian, the Municipalist, the Christian Socialist, the Nationalist and the Guildsman. Their priggish and wearisome reiteration of formulæ, their arts and crafts altruism and didactic superiority, are the *malaise* preceding the disease.

As has been already stated the immediate proposals for nationalisation now before the country relate to land, railways, mines, transport and shipping. So artfully have the proposals been put forward, so accurately has the time been judged, that the public generally has not awakened as yet to any sense of the magnitude of the proposals.

As yet there is a very real danger that these may be carried into effect largely because of the lassitude of the public itself, it is quite time that the extent and imminence of this new revolution should be brought home to the citizens of the country.

The sum total of our national wealth is a very problematical one. Inflated values and high prices since the war have destroyed our old standards without giving us new ones.

The total amount of our entire national wealth is given by Dr. J. C. Stamp, a careful and competent authority, at about £14,319,000,000. Of this sum about £400,000,000 is already owned either by the State or by various local bodies. It is now proposed to nationalise, either by purchase or confiscation, the following items :—

|                               | £                   |
|-------------------------------|---------------------|
| 1. Lands .. .. .              | value 1,155,000,000 |
| 2. Home Railways .. ..        | „ 1,143,000,000     |
| 3. Coal and other mines .. .. | „ 179,000,000       |
|                               | <hr/>               |
|                               | 2,477,000,000       |
|                               | <hr/>               |

Our present National Debt is about £8,000,000,000. Most of this is held in the country itself. It is difficult to say whether it is an asset (i.e., an item of wealth) or a liability. Probably the more accurate view is to ignore it. It is a charge upon existing property held in the country itself, and therefore, does not affect the question. The loan is, however held to the extent of about £1,000,000,000 abroad, while other nations owe a similar war debt to this country. Mr. Stamp,

however, in the estimate given above, includes £1,148,000,000 National Debt in his general estimate. If this, as a liability, is taken off, the net national wealth stands at £13,171,000,000, and of this it is now coolly proposed to take nearly one-fifth and nationalise that. Incidentally, if the goods taken are paid for, the National Debt will stand at the appalling sum of £10,500,000,000, or rather more than two-thirds of our entire national wealth.

Certain other interests have been named as likely to be included in some future agitation for their nationalisation. They are very varied in nature, and include the liquor traffic, the milk supply, the banks, the insurance companies, transport, electricity, shipping, hospitals, and the medical profession. Adding these to the interests already mentioned we arrive at a grand total of enterprises valued at, at a conservative estimate, something like £3,500,000,000.

The labour employed by these various enterprises is as follows : —

| Interest.      |    |    |    |    | Persons employed. |
|----------------|----|----|----|----|-------------------|
| Land           | .. | .. | .. | .. | 1,000,000         |
| Railways       | .. | .. | .. | .. | 750,000           |
| Hospitals      | .. | .. | .. | .. | 50,000            |
| Mines          | .. | .. | .. | .. | 1,250,000         |
| Transport      | .. | .. | .. | .. | 500,000           |
| Liquor Traffic | .. | .. | .. | .. | 100,000           |
| Milk Supply    | .. | .. | .. | .. | 150,000           |
| Electricity    | .. | .. | .. | .. | 150,000           |
| Shipping       | .. | .. | .. | .. | 250,000           |
| Insurance      | .. | .. | .. | .. | 50,000            |
| Banks          | .. | .. | .. | .. | 50,000            |
|                |    |    |    |    | <hr/>             |
|                |    |    |    |    | 4,300,000         |
|                |    |    |    |    | <hr/>             |

Persons already employed by the State or by various municipalities are as follows :—

|                                 |         |           |
|---------------------------------|---------|-----------|
| Army, Navy and Air Services     | ..      | 550,000   |
| Post Office                     | .. .. . | 200,000   |
| Civil Service                   | .. .. . | 200,000   |
| Municipal, Education and Police | ..      | 500,000   |
|                                 |         | <hr/>     |
|                                 |         | 1,450,000 |
|                                 |         | <hr/>     |

The result would be that, out of 16,000,000 persons of both sexes working for wages, no fewer than 6,000,000 would be directly employed by the State.

This would seem to be a fairly large result. At all events, it is a tribute to the cleverness of the Socialist conspiracy when we remember that there is more than a possibility of its being achieved and that it will produce a situation opposed both to the interests and desires of the vast majority of the people of the country.

With important agencies to this extent in the hands of the Government, the question as to whether they would pay or not becomes paramount in importance. As things stand, the various enterprises named contribute, with the tax standing at 6s. in the pound, something like £100,000,000 in income tax alone. It must be fully realised that were they nationalised this sum would have to be obtained from somewhere, and therefore before it began to benefit the public, the Government would have to make profits on its new national undertakings to the extent of £100,000,000. They would, it is assumed, purchase the undertakings. Absolute confiscation is not regarded as a practical policy by any but the most extreme Bolsheviks, and as we have seen that the purchase price would



be in the neighbourhood of £2,500,000,000, the interest on this sum, at 5 per cent., would be a further £125,000,000. Out of this we may assume the Government would take back about £40,000,000 in income tax, so that, before the Government began to make a profit, before they had a margin out of which to improve conditions of labour, to render an improved service to the public, or to reduce prices to the public, the overhead charges alone to be met would amount to nearly £200,000,000 per annum. No enterprise could prosper weighted to this extent. We must further realise that the flooding of the market with a vast new capital issue of two to three thousand millions sterling of Government stock, on top of the vast flotation of the War Loan, could only depreciate Government securities and prevent the raising of any fresh Government loans except at a prohibitive charge.

The advocates of the scheme are not likely to be daunted by the mere size of the undertaking, but rather, their object being ultimately the socialisation of the entire means of production of the country, they rejoice at the staggering figures presented by their proposals, and are fascinated by the apparently easy prospect before them of a hoodwinked British public dancing obediently to the tune they are piping. It is not too much to say that among these supporters there is not one who has had the slightest experience of running any business, or any inside knowledge whatever of the business concerns they propose to run. They survey the whole prospect with the rosy confidence born of complete ignorance and will, if given the way, steer the ship of State into an industrial and financial morass from which there is no outlet. It is all very well to point to some popular Labour leader and ask: "Here is



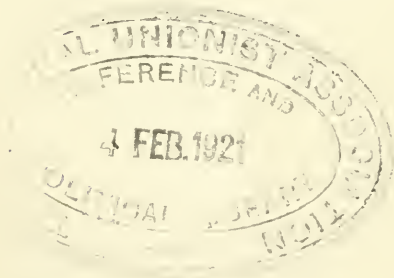
a practical miner who has risen to prominence, is he not capable of conducting the business ? ” While in no way anxious to disparage the organising ability of the average Trade Union official, it must be obvious that he has personally little mercantile experience in the trade he is concerned with, and that his whole career has been concerned not with the development of capital but with its irritation.

The extent of the proposals itself is an added reason why the experiment, for experiment it is, should not be tried. With a relatively small undertaking, like a municipal tramway system, the loss caused by unsuccessful public working is of minor importance. It is true that extravagant rates fall with severity upon the particular locality concerned, and indeed, throughout the length and breadth of the country there is a melancholy story of spendthrift municipalities, which have exacted their toll at the expense of trade and prosperity. But in the present proposals we have suggested a series of experiments in economics which will imperil the whole fabric of national production. We are being asked to embark on these experiments practically simultaneously, without any previous experience of their efforts, except a history of trials of a similar system in smaller issues, every one of which was a dire failure.

In the United States, too, there is a demand for nationalisation, but it is likely to meet with poor success. It is rather a reflection of the futile municipal socialism of England than an original idea. The enormous success of public services undertaken by private enterprise, such as the telegraphs and telephones, in contrast with the dilatory and irritating conduct of the State organised services of a similar kind in England is sufficient

warning. It is impossible to read the lucrubrations of the American State Socialists without a feeling of contempt for their second-hand idealism.\*

It is practically hopeless to argue with the ring-leaders in the nationalisation movement. Every one of them, secure in his self-sufficiency, turns a deaf ear to all criticism and all suggestions of caution. It is not, however, yet too late, to urge upon the public the danger of handing over the main industries of the nation into the hands of an incompetent and inexperienced State Department, urged upon a career of inefficiency and extravagance by a secret society of Socialists, whose only proof of their right to express an opinion on the matter lies in their own self-advertisement.



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\* "State Socialism After the War," by Thos. J. Hughes. G. W. Jacobs & Co., 1916. Philadelphia.

## CHAPTER II

### THE DOCTRINE OF WASTE

IT is now our duty to examine the advantages which are claimed by its proposers on behalf of nationalisation. These are invariably stated in very general terms and are totally unsupported by any kind of reliable statistics. Such comparisons as may be made with parallel experiments elsewhere are few in number and notoriously untrustworthy, while any attempt to give a reasoned examination of the test from which success or failure could be inferred is conspicuously absent. There are three main issues: (a) Good and cheap service to the public; (b) a fair profit to the national exchequer; (c) satisfactory labour conditions for those employed. It must be insisted that these three questions, if the nation is to risk its capital on the lines indicated, should be examined by those concerned with that scrupulous care and exactitude which would be displayed by the ordinary prudent man who was asked to speculate in some business enterprise with almost his entire savings, while it need not be urged—for it is notorious—that neither public nor Press has, as yet, looked upon the matter from this point of view. All our experience tells us is, that both in this country and abroad, all public enterprise, municipal or national, fails in one or more of these three tests in comparison

with private enterprise. Generally it fails in all three.

The arguments are generally of that kind which can only be described as nebulous and pseudo-economic. The favourite weapon is a catchphrase repeated so constantly that the public come to believe it as a self-evident truth. If, in newspaper or on hoarding, the statement is constantly repeated that Biggs's soap is the best, a considerable section of the public will repay Messrs. Biggs for their expenditure by accepting their statement. Biggs' soap probably is not the best. Similarly, if on the platform and in the pamphlet we are constantly informed that it is desirable to abolish wasteful competition we shall accept the statement and apply it to all competition. We can, perhaps, reduce waste, we cannot abolish it; and it does not follow that we should reduce waste by nationalisation. In the face of an experience which contradicts the statement that we should so reduce it, the onus of proof lies on the nationalists. It is not desirable to abolish competition. The late Mr. Henry George put the argument for competition in forceful terms which should never be forgotten: "You could not abolish competition without subjecting man to the worst form of tyranny and without stopping all progress. It is where competition is not permitted that there is stagnation. It is the competition of manufacturer with manufacturer that leads to the adoption of inventions in manufactures. It is the competition of steamship owners with steamship owners that gives you these greyhounds of the sea. It is the competition of producer with producer, it is the competition of tradesman with tradesman that brings to a city all that is necessary to supply its wants. What we

want is full competition. What we want to do is to abolish monopolies."\*

In nationalisation, of course, we do get monopoly, and as to the effects of the abolition of competition, those who during the war period had any experience of dealing with registered retailers on a basis of strict social justice, will agree that Mr. George's eulogy of competition was amply justified. Is there any single sane man, woman or child in these realms who wants to go back to rationing, or who liked the existence of control and limitation of competition in food stuff? In war it might have been necessary; it probably was. But it was not agreeable to any section of the population from the highest to the lowest. In peace it is neither necessary nor agreeable, and is indeed objectionable from every point of view.

The first reason given in support of nationalisation is that it would abolish wasteful competition. The argument is generally given in precisely these terms, and is left at that as an accepted truism. No explanation is given as to where the waste occurs, or between whom the competition exists. It is now our duty to examine both these particularities.

The first question is analysed properly under the following heads: (a) Does waste occur where production is carried out under private enterprise? (b) Could private enterprise be carried out without waste? (c) Is waste likely or inevitable under national production? (d) Would the waste under

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\* "The Single Tax v. Social Democracy." Debate between Henry George and H. M. Hyndman. Queen's Hall, London, July 2nd, 1889. The Twentieth Century Press.

national production be greater or less than the waste under private production?

Before we proceed to answer these questions, we must ask a further one: What is waste?

It is a truism to say that there is always waste in Nature. She is prolific in her energy and, in a sense, careless of results. In natural production, where Nature has determined on the permanence of a type, there is always—to borrow a term from engineering—what is called a factor of safety, or a “margin.” Thus, let us suppose that Nature has determined on the preservation of the thistle. She realises the enemies that the thistle has. That man has declared war upon it, that donkeys eat it, that storms break down the plant before maturity. Each thistle plant produces about 10,000 seeds. Nature is satisfied if two only of these grow to maturity. Abundant production must always result in destruction of part of the product. If only enough is produced there is certain to be a shortage. Let us assume that Nature would be satisfied if the number of mature thistle plants in existence were maintained at the same number, and arranged, therefore, that every plant should produce and bring to perfection to replace itself, and replace itself and no more. The result would be that the thistles would die out. The thistle is one factor. The enemies of the thistle are another factor. In their production and development there is no nexus. They develop on independent lines. Nature applies one law to the thistle and the same law to each of its enemies. Thus, in the example we have chosen, the enemies are more than three to one against the thistle. She must have a factor of safety, and a large one, for the chances against her are incalculable.



The same principle applies to the production of food for the community. The Socialist ideal is to produce "for use and not for profit." Unquestionably in nationalised production the same principle would have to be preserved. There must be enough to go round. If there were not, the Government or the Department concerned would be exposed to adverse criticism. Enough, and more than enough would have to be produced to satisfy every demand. Necessarily the margin would be wasted. Many of us can remember that for the first two or three years of the war a certain ration of so many pounds of meat, bread and potatoes, etc., was fixed for every man in the Army. It was a calculated ration, no more than sufficient for the ordinary healthy man of just a little better physique than the average. Every man had, necessarily, to be alike. The hungriest man had to have enough. The less hungry man did not want all that was given him, and consequently tons of food were wasted every day in every battalion. The same thing occurs on every British ship at sea. A certain statutory provision is made for every member of the crew. As it is calculated for the man with the biggest appetite, it is too much for the average, and the result is waste.

These are simple illustrations, but they expose the principle involved, that where you try to cater for all, in the calculation of satisfying the greatest need, and on the principle of exact equality, the result must be waste. The factor of safety must be granted. It means in engineering, waste of strength and waste of power. It means in Nature waste of productive effort, it means, in economics, waste of the product of civilisation. The factors are too incalculable to admit of estimation,



and without accurate estimates you must have waste.

Now, in National Production, it must not be forgotten that production would be carried out by a Civil Service, answerable to a body popularly elected. The first aim of a Civil Service is to escape censure. The severest censure directed against officials would be given in cases of scarcity. When housewives were asked by a perplexed Food Production Department to eat parsnips and bread instead of potatoes, in consequence of a shortage of the latter because of a miscalculation by the Agricultural Committee, they raised an exasperated outcry that they did not want parsnips, and they did want potatoes. It is not necessary to elaborate the example. Something very like it occurred during the year 1917. In the natural anxiety to escape such a departmental calamity, production of quantities more than sufficient would be authorised, and the inevitable result would be waste.

This brings us very near to one aspect of the theory of surplus value. In the illustration we have given, the main item wasted would be labour ; for the labour has been employed in producing something not required and subsequently thrown away. The principle involved in the illustration would necessarily extend to every department of human production. In every sphere of activity men would be employed in producing more than was theoretically necessary in order that there might be no shortage. Thus the whole labour of the country would be employed in producing goods a considerable percentage of which would be sacrificed to the factor of safety. Labour would not "get all that it produced." The only difference between this fancy picture and our present scheme

of society is that, whereas to-day the "surplus value" goes to the capitalist to be subsequently distributed (with deductions, if it is preferred) among the workers; under the nationalised scheme of society the surplus value would go into the ash-pit. Nothing more than this need be argued in order to destroy the million-worded treatise of Karl Marx. Here the share of capital is treated as "waste" for the purpose of the argument. The affirmed intention of the Socialists being to "secure for the workers the whole product of industry" it should be possible to show that the product of industry under Socialism (less the "waste" which is inevitable) would be less than the product of industry under private capitalism after the waste and the present share of capital have been deducted from that product. This is a matter which it is clearly impossible to prove very definitely by statistics. It can only be proved by the extent and inherent reasonableness of the arguments advanced in support of it. An attempt will be made to demonstrate this when we come to consider the disadvantages of nationalisation.

On less general lines it is alleged that a large source of waste is suffered in the lavish advertisements by which rival capitalists attract the public to their wares. This is a matter so inconsiderable that it is hardly worth answering. If we admit (and it is a questionable proposition) that advertisement is social waste, it does not necessarily follow that it is waste important enough to abolish the whole of our economic system in order to prevent it. The relative values of our advertisements and our national income is about the same as the relative values of the enamelled iron signs displayed on the stations of the Great Western Railway and the

Company's whole undertaking—buildings, permanent way, stock and cash in the bank. Advertisement makes a great display—it is intended to—but it is possible to conceal a brewery worth a million with pieces of coloured paper one hundredth of an inch in thickness testifying to Mr. Quaker's conviction that Quaker's Cocoa is the best. Besides, advertisement is not, in the social sense, waste at all. It is a means of spreading information. It brings fresh goods before the public eye. It is canvassing for the public approval just as much, just as surely, and in the same sense as the issue of an election address.

It does not appear, either, quite clear in what other ways competition is wasteful and a loss to the public. Competition might injure one of two rival capitalists and ruin his business. In such a case the public would not suffer. It would certainly lose an organised source of production of an inefficient nature, which would be no loss, but the building, machinery and raw material with which that business was carried on would not be wasted. They would be owned by some other person. The beaten competitor would suffer, and the winning competitor would gain. Even if both sold below cost to capture the market there would be no social waste. The goods would remain the same, the labour employed by them would not have been employed in vain, for somebody would buy and consume the goods. A factory might find it unprofitable to produce and go out of business because it was undercut by a Trust, but that would not be wasteful competition. It would be waste because of want of competition. Or again, of two factories falling into the same hands, one might be closed because greater profit could be made out of a

smaller output at a higher price. That again is not waste because of competition, but because of under-production. There is waste of that sort when any man of any class ceases to produce—a waste of potential man-power. But that has nothing to do with competition. There is waste in strikes—which propose to end competition.

To-day we look at these question almost entirely from the point of view of the student of the relations of capital and labour. It is not the sole point, however, which ought to occupy our attention. A point equally important is the efficiency of production for which both capital and labour are jointly responsible. A labourer is a consumer as well as a producer, and his interest in prices is quite as important as his interest in wages. The prices of commodities are largely regulated by the quantity produced, and it is only by the production of quantities equal to or exceeding the immediate demand that a competitive price comes about. The gross amount of production, therefore, is just as vital to the labourer as any increase of wages or reduction in hours. It is, indeed, one of these factors which ultimately determine his real wages. There are signs that this aspect of the question, after total neglect for a number of years, is at last receiving some attention. One is bound to admit, however, that it is only the capitalist who really appreciates the point. Labour has been blinded by ignorant and silly restrictions on output by its own organisers and by ill-judged Socialist agitation, into closing its eyes obstinately to this important truth. All disputes as to the division of the product are futile if there is no product to divide, and the greater the product the more will each party receive. It is important to realise how this attitude of

labour has been created. Even the most extreme Socialist or Labour newspapers hardly dare to openly advise restriction of output, but in Socialists' lodges, at Trade Union branches, at open-air meetings and from the whispers of shop stewards the word has gone forth: "If you produce too much some of us may be unemployed"—forgetting, or not realising, that work makes work, and that more unemployment is caused by under—than by over-production. The point is that competition is in the interests of all, and whatever ill effects result from competition, result because that competition is partial and imperfect. Under Socialism, with the abolition of all competition, and under nationalisation with the abolition of all competition between employers—for how can there be competition with only one employer, the State?—the status of labour would tend to become depressed.

The second advantage claimed for nationalisation is that there would be increased production through improved organisation. No very satisfactory reasons are given for this allegation, but the thought behind the notion seems to be that cheap and standardised, or mass production, would be easier in a big factory than in a small one, and therefore the bigger the factory or group of factories, the better. In a nationalised factory, it is contended, we could have all the merits and advantages of monopoly in production.

No doubt, other things being equal, it does appear that a case could be made out for this theory if the difficulties which vex private production to-day could be done away with under an absolute guarantee that they would not vex nationalised production. But no such guarantee could be given, and for a very good series of reasons. The chief difficulties

which afflict private production are labour unrest, trade union fetters on production, scarcity of raw material, uncertainty of foreign markets, lack of skilled labour and financial stringency or lack of capital. Secure against these difficulties, private capital could and would organise production quite as, and more, efficiently than nationalised capital. Some of these difficulties are constant and others are occasional.

Under nationalised capital it does not appear that labour unrest would be any less acute or less threatening than it is to-day. If anything, it would be more frequent. Recent experience in all industries, particularly in the case of the miners and the railwaymen, proves how prone those who misgovern labour are to take advantage of the publicity which attaches to all Government acts and to worry the chief power in the State with shadowy and ill-defined claims and vexatious accusations.\* There is a certain type of politician who thrives upon discontent and unrest; he welcomes the idea of nationalisation because he could advertise himself to greater purpose by attacking the National Executive than by impeaching a private capitalist. It will be fresh in the public mind that even in the case of such a vital national essential as the railway service, at a time when it was entirely under public control, when all the profits from extra efficiency of working went to the relief of the national exchequer, and at a confused and anxious crisis in the national life when it was the duty of every patriotic citizen to submit to

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\* In March 1920, because of a quarrel between two employees of the National Physical Laboratory at Teddington, 15,000 electricians in Government service struck work, including those on duty at the House of Commons.



private injustice and stand by the State, even then we had not only a railway strike, but a strike without notice, and of the most aggravating, unreasonable and unnecessary description. What had become in that strike of the loyal and dutiful co-operation of all concerned in the service of the State, in which people who work for the State are supposed to be working for themselves? These are fine words, but those who use them apply them to their hopes of others. They never picture their own duties in such dramatic language.

Much might be said of this idea that if you serve the State you are serving yourself, but it is best and most truly dismissed as mere rhetoric. In moments of fierce enthusiasm in a great war people will step forward and give all to their country. It is a very exceptional type who in peace and in cold blood will submit to any sacrifice, however small, for the benefit of the State. From the miners who grudge and shirk their income tax, the housewives who schemed to defeat the food control, to the Labour Party organisers who agitated public opinion with their canvass in time of war and the profiteers who help to fan public discontent in their unreasonable demands, most people betray the cloven hoof. It is human and it is natural. The State is too remote for us to be interested in her, no one knows or appreciates our services to her, our share of the profits of our own good actions is so inestimable, that we think it is hardly worth while putting ourselves out. Of the quarter of a million or so people who entered the Civil Service during the war, it is quite safe to say that ninety per cent. did so in the search for well-paid and safe employment. Any attempt at saving expense over the Civil Service after the war met with fierce



resentment and organised resistance. The first and the last thought in the minds of discharged employés was not : " The State has no further need of me ; I can rejoice that the war is over ! " No, it was : " I shall lose my job." It must be clearly understood that these reflections are not made in any carping spirit ; they are merely a recognition of a truth. Therefore when a miner's leader tells us that if the mines were nationalised, miners, because they worked for the State, would hew coal to the accompaniment of snatches of song, and, proud of the dignity of labour and partaking of the joy of toil, make the underground passages gay with their revels with pick and shovel, the only answer is a polite expression of doubt. Does a county council driver sing glad strains when his tram-car is overloaded, and speculate with glee on the increase in revenue for the greatest of cities ? Does a postman, overburdened with parcels on Christmas morning, surrender all thoughts of tips and meditate with gratitude upon the stamps ?

There can be no question that under nationalisation the cumulative demands of labour for more and more wages would continue. Labour knows this perfectly well, and it is not the intention of that section of labour which believes in nationalisation to slacken the demands for an instant in the event of communal ownership—rather will they increase them. There can be no doubt, too, that these very demands would lead to conflict. Democratic Government is a curious mixture of weakness and obstinacy, but in its relations with labour it would in the end be forced to be strong. The result would be long and bitterly contested strikes, in which the victory in the end must go to an enfeebled and impoverished State over the bodies

of famine-stricken strikers. The tax-payer would never consent to have both his prices and his taxes raised indefinitely. Indeed, a strike against the State at once magnifies the issue. It is, in a sense—that is, both in effect and in intention—a rebellion. It partakes of many of the characteristics of the General Strike of which it has been said: “The general strike must fail as an industrial weapon. The more complete it is, the more certain of failure. With every day that it progresses, the number of its enemies increases, until at the point of its collapse every citizen is opposed to it, and every man taking part in it is at heart a blackleg.”

For the same reasons there would be similar conflicts between the State and labour in reference to Trade Union limitations of output. The State would not tolerate them, and one of the very first results of nationalisation would be that the Trades Disputes Act would become a dead letter. Under that Act, it will be remembered, the Trade Unions received a considerable advantage in their dealings with their employers in that the funds of the Trade Union were exempted from being liable for the illegal acts of one of its officials. The ordinary law of principal and agent was abrogated. If one person persuades a second person to break a contract with a third person, he is liable for any damage that third person may suffer, but now a trade union is not so liable. The result has been the development of the lightening strike and other deplorable practices of the newest Trade Unionism. But in dealing with the State, the circumstances would be altogether different. If a Trade Union is privileged, the State is still more privileged, and, armed with Orders in Council, Control of Public Funds, protected by the Public Authorities' Protection Act,

it could and would in an industrial dispute hit harder than any private employer. The results of this conflict of a section of its subjects will be dealt with in another place, but one general effect should be mentioned here because it is relevant to this aspect of the subject. The result would not be increased production ; it would be increased disturbance, and no disturbance under such circumstances could be local, as to-day, but would necessarily be national.

A third difficulty which stands in the way of steady and increasing production to-day is occasional scarcity of raw material. It does not appear *prima facie* that the difficulties of the State in such matters would be any less than the difficulties of private employers to-day. The State in purchasing its raw material would necessarily have to follow one of the two methods followed by private employers, for there are two methods, and two only. It could either buy raw material as it wanted it, or lay in huge quantities in advance. Now, the hand-to-mouth method is tolerable in the case of a multiplicity of employers, even when universally followed, as in a period of falling prices, but it is asking for disaster to the whole country if adopted by the State, the only employer allowed. With a multiplicity of employers, one buys at one time, another at another, there is a kind of cone of error (to borrow a term from musketry practice). All are firing at the same mark ; some hit it. Some are in front, some to the right, some to the left, some behind. The result is that a pretty wide error is covered by this divergent shooting, and some of the shots get home. But in the case of the State, all eggs would be in one basket, all information would come through the same sources. All

mercantile information would come from economic opponents (i.e., vendors and trade rivals), the State advisory agents—if it had any—would be of the usual type of improvised civil servants, and the bacon purchases of 1918, which scandalised the whole of Great Britain, would be repeated in the case of a great number of other commodities. The Government is always a bad buyer. If the State had an excellent servant in America, buying bacon for it in time of peace, a man with knowledge and experience, why should he be content with a salary of a few hundreds a year? Why should he not resign his position and enter the bacon trade on his own account? If he was a sound man with a knowledge of the market, he would do so; it would pay him better. But if he was lazy, incompetent, and a poor judge of the market, he would remain in the State service, and lose the State's money instead of losing his own.

A State when it buys is apt to make mistakes, and this is inevitable from its very nature. During the war we bought, almost in panic. As a State we had neglected, in spite of abundant warning, to lay up sufficient reserves of raw material. We bought from America and elsewhere in abundant quantities, at almost any price—for use, and not for profit—and the result is we are eight thousand million pounds in debt. Since the war we have been economical. The State has been buying our butter for us. We have declaimed about high prices and profiteering, and the State will not pay the current price for butter. The result is that we have not any butter. This inability of a State Department to do the right thing in a commercial transaction is inherent in its very nature. Few people who have advocated State control and

trading have analysed to themselves the nature of a commercial transaction. In commercial transactions there are four kinds of bargains, which can be classified as follows :

(1) Where there are many buyers and one seller. Here the seller has a monopoly, and can charge what he likes. All State production is monopoly of this kind, and leads to high prices where the State is a seller. Where the State is one of the buyers, it is obviously in no stronger a position than any of the others.

(2) Where there is one buyer and many sellers. Here again we have a form of monopoly. In the foreign dealings of the State under nationalisation, this situation would not arise. In home trade it would. The State would have the right to prohibit export and buy at what price it liked from home producers ; it would have the right to buy labour as well ; the result would be unfairly low prices, and the sweating of the producer.

(3) Where there are several buyers and several sellers. This is the normal condition in which market prices are current. The very entry of so large a single purchaser as a State monopoly into such a market sends up prices. Consequently the concentration of effort, which is lauded as one of the advantages of State enterprise, loads the dice against the State itself and compels it to buy in the dearest market. Consequently in international trade the existence of a State monopoly anywhere re-acts to the disadvantage of consumers. The very fact that during and after the war several States, and particularly Britain, were purchasing goods in great quantities, furnished a reason for the advance in prices of which their citizens complained.

(4) The other class of case where there is only one buyer and one seller is unusual, but it is obvious that even here the State is at a disadvantage as one of the contracting parties. That party is bound to secure the best of the bargain who shows the greatest shrewdness and knowledge. It is clear that in every case a person acting in his own interest is calculated to prove both shrewder and more determined than a mere Government servant who desires no personal advantage from his efforts.

We see, then, that in obtaining raw material the State stands at a disadvantage with private traders, and that even where it succeeds in obtaining an adequate supply of raw material it does so at a prohibitive price.

A further difficulty in the efficient organisation of industry which is likely to be felt more severely by a State trader than by a private business firm, is the uncertainty of the foreign markets. It is not clear how the State would be in a stronger position than the private manufacturer. The estimation of quantities to be sold is the chief problem, and the competition of British manufactures with those of the countries into which they are proposed to be imported can only be ascertained by experience. In the face of possible hostile tariffs, or foreign legislation against "dumping," the extension of factories for large-scale production is a speculative matter, just as dangerous for the State as for the private capitalist. During the war, for certain classes of production we had an unlimited market irrespective of price, and this problem had no application, but peace conditions are very different, and it would not be wise to draw comparisons between large-scale manufacture of



aeroplanes during the war, for instance, and manufacture of other utilities in peace.

With regard to the home market, a similar uncertainty exists, and for very different reasons. The objections which might be urged to a protective tariff have added weight to-day in view of the existing high prices, and therefore, in the absence of a tariff, the home market would be just as difficult to gauge as the foreign. No doubt, in the event of a Government monopoly of any manufacture, all foreign competition would be ruthlessly prohibited. That is the way of Government monopolies. They extinguish competition, and then sell poor qualities at high prices. It is universal and inseparable from State monopoly. The French Government monopolies of matches and tobacco, and the British telephones and telegraphs, are illustrations known to all. Without making the consumer pay for a poor article at a high price for an almost indefinite period, it does not appear, therefore, how a State industry could be established on such a scale as to make improved organisation worth while. No doubt it could be done in time, but even if it were, the improved organisation would be achieved at the expense of the consumer, not at the expense of the capitalist, and he would be the loser, not the gainer, by the substitution of public for private contract.

One of the difficulties with which private employers have to contend is the lack of sufficiently skilled labour. This is a very important and difficult economic issue which cannot adequately be dealt with here. It may be observed, however, that the State as employer would be just as much troubled by it as private enterprise is. The lack of skilled labour arises from two main causes.



One of them is the adoption of blind-alley occupations by the young in order to relieve the family exchequer of their parents. The other is the artificial limit imposed on apprenticeship by the Trade Unions. It will be seen that it is an educational difficulty purely in these two respects. A lack of skilled labour occasionally arises locally, as where an industrial population has departed from a certain area. A striking example of this has been experienced in the city of Manchester, where mill after mill has closed because of the migration of the workpeople. There is not to-day a single cotton mill within the boundaries of the city. It is not by any means clear what is the original cause of such a phenomenon. In the case illustrated the change appears to have been brought about by the gradual conversion of the city from an industrial to a mercantile community, but in the case of certain particular mills, unquestionably, the workpeople moved, and the capital had to follow them. Still, State-owned capital would be just as liable to this difficulty as privately-owned capital. In this case, at all events, no advantage would be reached by nationalisation.

The final obstacle to the extension, development and organisation of industrial enterprise is found in financial stringency, or lack of capital. It is the principal reason for a condition of stagnation in development everywhere ; and on examination will be found to be just as serious an obstacle to State enterprise as it is to private enterprise. One favourite expression has done uncounted harm in obstructing people's vision. That phrase is : " The inexhaustible funds of the State." The State has no funds. It never did have any funds. As soon as the State gets funds it spends them. It is

generally over-drawn at the bank. Its citizens have funds, and the State has not, but it has credit, and it can always get money. Now here we come to what is really the crux of the matter; even the credit of the State is not its own, it derives it from its citizens. It is really their credit which it uses. The credit of a State is subject to a rough and ready, but nevertheless quite satisfactory test by means of the discount or premium at which its funded debt stands. As a general rule this depends, more than any other factor, upon the relative vigorous initiative and character of its native population, and to a considerable extent upon the nature of its political institutions.

Our subject therefore must be regarded from two aspects :—

(a) Would the State be able to obtain the original capital necessary to buy an established productive enterprise on the grand scale? How would it obtain it? Would it obtain sufficient?

(b) Having established its enterprise, would it readily obtain the necessary credit in order to work it? On the accurate solution of these questions hangs the reply to the original question of whether State trading would be handicapped by lack of capital or financial stringency.

The suggestion being that the State should acquire various industries which have already grown to vast proportions, the question of whether the State could actually establish an industry does not here arise to its full extent. It may be assumed, however, that in its attempt to "organise production" the State, or its departmental chiefs, would not be satisfied with existing mines, factories and workshops, but would endeavour to supplement them with new establishments. No doubt at the inception of the

scheme a considerable amount of money, to be ultimately wrung out of the taxpayer, would be lavished upon these undertakings. The course of State enterprise in such matters is well known, and except in such work as the production of war material, where the State itself is the sole purchaser, discloses a melancholy history of utter failure. All our previous experience lies to prove that there is nothing permanent in any form of collective enterprise, that all collective property tends in the end to become individual property, and that things valueless, useless, and indeed a source of cost to the community, when owned and controlled by the community, become useful, serviceable and a source of profit to the individual and of revenue to the State when owned and controlled by individuals. This argument will be developed more fully at a later stage, but it has a distinct bearing on the financial aspect and is therefore prematurely indicated here. The first step in the nationalisation of an industry would necessarily be the purchase of existing establishments. The method of acquisition by confiscation is here ruled out. It is true that a certain school of revolutionaries advocate it, but the initial steps would unquestionably be by one form or another of purchase. The confiscatory method is pure revolution, and its disastrous financial and industrial effects are so well known to every one but the most ignorant *sans culotte* that it may be considered as outside practical politics.

Methods of purchase are three in number. They are: (a) Purchase by annuity. (b) Purchase by bond. (c) Purchase by cash. Purchase by annuity may take two forms. One of them, the granting of an annuity to the present possessor calculated on his previous profits, is in effect confiscation. It would

be bitterly resisted and would result in revolution and collapse of credit as surely as the more outspoken form of confiscation. The other form of purchase by annuity is equally objectionable. It is the granting of an annuity to the owner equal to his previous profits (which are here taken to include interest on capital) plus such an annual sum paid over a series of years as shall compensate him for the loss of his capital. This is simply and plainly idiotic. The State in its production would be burdened by a sinking fund (for that is what it amounts to) which would necessarily either absorb all the profits, whatever they were, of the undertaking, or would have to be made up out of general taxation. The burden of taxation on the community would therefore be increased, and not diminished. No doubt an attempt would be made to thrust this added taxation on to the Income Tax, probably that portion of the Income Tax which is collected on what is called "unearned income." Unearned income is held to include pensions, annuities and interest on capital, so that those who had been compelled to part with their businesses to the State would have to repay to the State in taxes the price which the State was paying them in annual instalments. It is unnecessary to insist on the dishonest lack of moral principle disclosed in this suggestion. The disastrous effect on credit would not be delayed. Capital is a shy bird, and is quick to recognise disingenuous dealings, and this method of confiscation would react as quickly against the financial stability of the State as the open and avowed plunder of the other method. It could be defined as larceny by a trick.

The suggestion as to purchase by bond is put forward with more open show of honesty, but it is

gravely to be questioned whether in the end it will be found in any way preferable to purchase by annuity. The purchase of Irish land is a fairly accurate example of this method. Briefly, the property to be purchased is assessed either by arbitration, or some other method, at a certain value. Bonds bearing interest at a specified date are made out to this amount in the name of the vendor, and the transaction is completed. It will be seen that by this means the enterprise becomes the property of the State, and the purchase price becomes an addition to the National Debt.

From the point of view of the purchaser, many objections can be made. In the first place he is compulsorily dispossessed. In the second place, instead of remaining in the possession of an independent business which he can develop and so increase his stock, he is merely in possession of a constantly depreciating security. As to the depreciation, there can be no two opinions, for with every addition to the national indebtedness, the value of the preceding loans shrinks. There is a limit to the credibility of the State, and the flooding of the market with hundreds of millions of one particular stock would cause a kind of market indigestion. The constant floating of War Loan, during the war, will be remembered in this connection. With each successive flotation, the interest rose, while the issue-price shrank. Again, the differentiation between earned and unearned income would be a further cause of alarm to the holder of this stock and render him liable to an ever-increasing levy by means of Income Tax.

From the point of view of the State, things would not be much better. The former manager, director, or owner of the business naturally would have been

changed from an active, independent and industrious citizen into a mere fund-holder. Another manager would have to be engaged in his place, thus placing the business concerned under an increased overhead charge, and for the mere reason that it had increased its indebtedness it would be in an inferior position with regard to any future borrowing it might contemplate.

The final manner in which the State could purchase would be by handing over the cash. Ultimately no doubt it is presumed to liquidate all its liabilities in cash, but if the State is continually adding to its indebtedness by the floating of fresh loans to buy more and more industries, it is not clear how it would ever pay off any of them. The policy is that of Mr. Stiggins, who borrowed a shilling on Monday, and came for a further sixpence on Tuesday in order to make the loan into eighteenpence. The idea that the State could pay in cash is pure absurdity. From the very moment when it embarked upon nationalisation, it would drift further and further into insolvency. To pay in cash it would have to borrow the money. It is inconceivable that it could borrow the money from that very capitalist whose business it was endeavouring to purchase, in the very unlikely event of his being willing to lend it. In any event the State would be faced with the prospect of continually borrowing money at a discount and repaying it at par—truly a losing transaction. This applies just as much to purchase by bond as to purchase by cash, for the bonds would necessarily be redeemable by a certain date, and be subject to sinking fund.

Perhaps an illustration will make the position clearer. Let us suppose that in 1925 the State purchases the railways for a mere £1,000,000,000. It purchases by means of five per cent bonds issued



at ninety-five, redeemable over twenty years. In 1945 the State determines to purchase the cotton industry for £1,000,000,000. It cannot now owing to the depreciation of its credit float at a better price than, say, ninety at £6 per cent. What therefore has happened is as follows :—

It wanted a thousand millions. Therefore (at a price of ninety-five) it has confessed indebtedness to £1,050,000,000. In 1945 it wants a further thousand million ; this time the price is ninety, so that it repays 1,050 million on the railway account, and borrows 1,100 million on the cotton account. The State has therefore paid 2,150 for businesses the actual value of which was 2,000, is 150 million deeper in debt than when it started, is subject to a sinking fund which has increased from 52-½ million a year to fifty-five, to an annual charge of sixty-six million a year instead of fifty, and can look forward to the fact that when it comes into the market to borrow more money, it will have to pay a stiffer price for it still.

We thus see that financial stringency would be as severe a handicap on State enterprise as it is on private enterprise. The full realisation of insolvency would be longer delayed, but there is not any advantage in that. The longer bankruptcy is delayed, the worse it is. Improved production through improved organisation on the part of the State is a myth. On all grounds—finance, labour, markets and raw material—the State is seen to be fettered where private enterprise is free, incompetent where the active citizen is able. To transfer our industries from being prosperous employers of labour and sources of taxation, finding work and wages, occupation and prosperity, into national incubi of the character of the Chepstow Shipyards,



is all the nationalisers have to offer us. They gild their offers, be it said, with promises which no State ever yet was able to keep, and seek to placate our misgivings by means of theories which our own recorded statistics contradict.

The third class of advantages claimed for nationalisation is that it would abolish that conflict between producer and consumer which is alleged to be at the basis of much of our popular unrest at the present day. It is difficult to see how any logical mind with even a moderate memory of the most recent history can pay any serious attention to the above argument. As a matter of fact, the struggle between consumer and producer would be as intense as ever, but both parties would be fighting in a fog. The issue would be obscured and disaster to the community would result.

The consumer desires prices to be as low as possible. The producer desires prices to be high, and inasmuch as labour is the chief item in cost of production, the real issue lies between householder and labour. Now there is one thing which must be definitely accepted as a principle. It is this : That with every addition to the number of enterprises financed and controlled by the State, the necessity that each should pay its way grows also. Certain services are necessarily spending services only, such for instance as the police, the army, navy and judiciary. These, of course, pay for themselves in the way of national safety and justice, but the benefit they give does not appear in the national balance sheet. Other services again may be said to be remunerative in that sense of social charity which many people desire to see gratified, as, for instance, the old age pensions. Here again we have a purely spending department of the State.

The cost of these items is borne out of the general taxation of the country. But when we add to these, enormous departments such as lands, railways and mines, which have hitherto contributed to the revenue in taxes, and add them to the other departments of the national administration, it is clear that we are running a very serious risk. We have diminished the area from which taxes can be drawn, we have added to the possibility of increasing the expenditure. We can leave out of the argument any possibility of the mines, railways, etc., ever proving remunerative under Government ownership—that very conflict between producer and consumer which it is hoped to eliminate would entirely prevent any hope of paying management.

On the one hand, we have the producer clamouring for more wages; on the other, the consumer insisting on lower prices. The two between them represent a combined national opinion which no Government could for long resist. Our recent experience with the railways will point the moral here. Advances in wages and improved conditions of service have since 1914 added enormously to the cost of running the British railways. In the same period of time, heavy advances have been made in the charges for freight and passenger fares. Admitting for the moment (and it is very far from the truth) that the interest on railway capital and upkeep of the lines have been duly met, we have now to ask ourselves how long the interests of the railway servants are to be consulted, and the interests of the passengers (by which we mean all the rest of the country) ignored? If we assumed that the Government had acquired the railways as national property, and was not merely guaranteeing the interest on the above capital, as it is doing at

present, should we be safe in saying that the people of the country would submit to these increased charges? It is plain that the powerfully organised railway labour on the one hand, and the myriad-voiced consumer on the other, would speedily force the administration into an uneconomic position.

What governments and municipal corporations call profit, other enterprises call interest on capital, and in the picture we have indicated the cry would be to forgo "profit" and run a cheap, convenient and well-paid service. Under such circumstances, there would be an irresistible temptation to forgo "profit," and leave the interest on the debt incurred in the purchase of the railways to be borne by the general taxpayer.

This would be a horrible injustice, for which a bitter recompense would be subsequently exacted, but in the case of one or even two major services, it could be carried out without its direct results becoming patently obvious to the most ignorant section of the labour world for a year or two. That it would in the end become obvious to them in the suffering and disorganisation resulting goes without saying. But if more than these one or two enterprises were nationalised, the result would be clear at once, because it would be impossible for the country to pay its way without at once increasing the level of taxation in every class in the community.

Thus the struggle between producer and consumer would resolve itself into an anarchic quarrel between Government on the one hand, as representing the producer, against the consumer, and Government on the other hand, representing the consumer as against the producer. It means a permanent rift in the executive itself of any Government that might be called into office. It ends definitely any

stability in the administration we may have, is an end to all progress, and translates what is an ordinary economic divergence in interest which must ultimately come to a state of fair equilibrium, into an internecine conflict carrying with it some of the worst results of civil war of which the cost is borne by the community as a whole. Every civil war carried to a conclusion is a Pyrrhic victory to the triumphant party. The winner loses as much as the loser.

## CHAPTER III

### THE VICIOUS CIRCLE

IN the last chapter an attempt was made to show some of the effects of competition in public economics and to show that the attack made on the principal was made in ignorance of its true nature. In considering certain disadvantages of nationalised industry it will be necessary to recur to this branch of the subject, as it is in consequence of the entire absence of competition that some of the more obvious evils of that system arise.

The first aspect in which we should consider competition is in regard to the important question of prices. Competition not only tends to produce goods at the lowest possible price, but operates as a powerful agent in bringing about efficient production. Whatever may have been true in the past, wages in skilled trades to-day are not to any degree at all the subject of competition, and in these days of highly organised trades, labour is an irreducible and indeed increasing item in the cost of production. There is, of course, a confusion in some minds between the two totally different expressions, wages and labour-cost. It is possible with efficient production to have high wages and low labour-cost. Indeed, this is one of the peculiarities of this age of machinery. It is necessary to say this much in order to clear the ground, as there is a danger that some students of the question may mislead

themselves into thinking that cheap production necessarily means sweated labour. It has nothing whatever to do with it.

For the present we must confine our attention to the question of prices. The greatest fault of national production is that it entirely rules out any question of competitive price. The first inclination of all traders is naturally to raise prices. As competitors they have to lower them to increase the volume of their sales. When there is competition among a number of manufacturers with different costs of production, the price tends to be fixed at a point which gives a profit to the most efficient, just pays the cost of production of others, and closes down the incompetent. It is those employers who, by improving processes, making the best of highly-paid labour, and by organising efficiently, capture the trade. There is thus an automatic force compelling improvements in production to which a nationalised State monopoly would not be subject. As to the tendency of State departments to remain stagnant of ideas, more will be said later.

Now none can deny that low cost of production and a constant search for improved methods of manufacture, are excellent things in themselves. The point is that under competitive capitalist production they are brought about by the relentless pressure of circumstances, and are therefore in the end inevitable. Under bureaucratic administration any good result can only be produced by fits and starts when some exceptionally able administrator has the courage or luck to be in a position to force new ideas on his colleagues. In other words, under competition improvement comes about because of the system, is natural and in the end certain, while



in the uncompetiting bureaucratic system it is spasmodic, uncertain and freakish. It is the result in the latter case of definitive command ; in the former, of growth. It will be readily agreed that a civilisation which is self-acting, that is one which constantly progresses because of the inherent sound principles on which it is established, is to be preferred to one which has to be constantly stimulated by new regulations and laws. Bureaucratic regulations are always irritating and not infrequently short-sighted. They cannot always be dispensed with, but that system of production which needs them least will be found to be the most efficient in the long run.

All prices to be fair must be the result of agreement. In competitive prices agreement is the very essence of the matter. In the prices of goods supplied by a State monopoly, there is not agreement, but dictation. Indeed, just as in competitive production there is a constantly operating tendency towards reduction of price, in bureaucratic production the tendency is all the other way, and prices are gradually forced upwards by the very nature of the administration.

It is the inevitable policy of any public department to follow the line of least resistance. Officials exist for the purpose of achieving certain results. The cost of achieving these results is in general no business of theirs. It is true that on occasions, as when spurred by some public outcry, a department will arouse itself. Some minor official will be made an example of, a perfectly necessary and possibly prudent contract will be torn up, and then the department, secure against interference for another term, will resume its accustomed and placid course. It is always easier to concede a demand for increased

pay than to refuse it, to keep an old machine rather than install a new one, to extend an office staff rather than reduce it, to accept the first tender rather than seek for a lower one. However great the enthusiasm and animus with which a department newly created or organised may begin its work, not many weeks have rolled over its head before the somnolence of the Lolophagi supervenes.

The inevitable result is a rise in prices, and that disastrous phase of economic life which has come within the past year or two to be known as "The Vicious Circle," perplexes and irritates the public with its unending cycle of rising prices and industrial crises. The vicious circle is a constantly occurring alternation between increases in wages to meet the increased cost of living, and increases in the cost of living caused by the increases of wages. We can remain perfectly free to admit that many working men have many anxieties and hardships while yet maintaining that that which is known as "Labour" to-day has taken up an attitude hopelessly at variance with the real national prosperity. This is not because of any conscious lack of patriotism, but almost entirely because Labour to-day officially expresses itself by a mouthpiece utterly unworthy of it. It is alone in the modern world in that it has deliberately chosen those members of its body to make clear its point of view who are least able to command the respect of the public at large. Further than this, and as might be expected from it, the Labour point of view when stated, is shown to be based upon false arguments, distorted facts, and bitter prejudice. It is curious that Labour as a whole, which one would expect to see take an eminently sound, truthful and practical view of industrial and economic problems, seems to prefer

representatives who fluctuate between a dreamy and Utopian idealism and a revolutionary ferocity. If we are to discuss industrial problems calmly and justly with a view to the national prosperity, which of itself implies a fair balance of justice between class and class, Labour itself must put its house in order by putting forward leaders who know something of the real problems of a workaday world, and not spokesmen whose influence is based upon ignorance and oratory.

It is because of the attitude suggested in the above paragraph that it becomes necessary to advert for a moment to one of the main fallacies urged in support of Labour claims. This is what is known as Lassalle's "Iron Law of Wages." This may be stated as follows: "that by an iron and inexorable law under the domination of supply and demand, the average wages of labour remain always reduced to the bare subsistence which, according to the standard of living of a nation, is necessary for maintenance and reproduction." If this law were true it is curious that Lassalle and his followers never realised that in stating it they were sounding the death-knell of international socialism. The words "according to the standard of living of a nation" imply of course the plain truth that in some nations this standard is considerably higher than in others, and that therefore those nations which are highly industrialised and in which the standard of living is highest, have little to gain from amalgamation with nations of a lower stage of development. However this may be, an attempt is being made to exploit the fact that wages have been necessarily raised to meet the increased cost of subsistence by an attempt to argue that there has been no increase in the comparative wage since

1914. Of course nothing could be more untrue. The recent advances in wages and reduction in hours of the railwaymen alone disproves the assertion. If in formulating such a very definite rule as an Iron Law we introduce such a very variable term as "according to the standard of living of a nation," we reduce the whole thing to absurdity. One might as well say that "working men always get insufficient wages except where they do not." It is therefore to be hoped that the question will be considered without the introduction of idiotic catch-words coined by Lassalle or anybody else.

It is, of course, a common-place of our economic history that in addition to the vicious circle we have referred to, there is also what may be termed a circle of benefit. This circle is formed by that peculiarity, of universal experience in human history—the inequality of wealth. In all recorded history there has always been a class of rich and a class relatively poor. The poor see the rich in possession of luxuries and enjoyments which they do not possess, and vaguely a demand arises among them for a share. At the same time there comes into the minds of the rich an idea that things which are commonplaces of their own existences can not be reasonably refused to other people. Thus, by a common agreement among all classes, a higher standard of living is formulated for all. The standard of life of all classes advances in arithmetical progression, and thus the inequality of wealth itself gradually tends to disappear.

Thus, to take symbolic figures, let us suppose that the standard of living of the rich in 1800 was 4, and that of the poor 1. The difference is 75 per cent. After fifty years the standard of living of the rich is 5 and that of the poor 2. The difference is 60

per cent. After another fifty years the standard of living of the rich is 6 and that of the poor 3. The difference is 50 per cent. No doubt the rich are in greater luxury than before, but so are the poor. The inequality of wealth is much less than before, and all classes benefit. This may be called progress or growth of civilisation or any other complimentary term. But where through any catastrophic change this ordered progress is interrupted, we get dislocation, even though many people are better off than they were before. Thus, if instead of the progress of all classes being arithmetical it becomes geometrical in some cases and stationary in others, we should get social injustice. It must not be forgotten that two things go together always—growth in civilisation and a fall in the value of money. (Rising prices.) This gives us two kinds of social change: (a) Evolutionary, or healthy; (b) Catastrophic, or unhealthy. In the following illustrations the figures are merely symbolic quantities representative of various standards of living:—

## I. HEALTHY CHANGE.

|                  |       | 1800. | 1850. | 1900. |                                              |
|------------------|-------|-------|-------|-------|----------------------------------------------|
| (a) Rich         | .. .. | 4     | 5     | 6     | Arithmetical<br>Progress<br>in all<br>cases. |
| (b) Middle Class | .. .. | 3     | 4     | 5     |                                              |
| (c) Artizan      | .. .. | 2     | 3     | 4     |                                              |
| (d) Poor         | .. .. | 1     | 2     | 3     |                                              |

## II. UNHEALTHY CHANGE.

|                        |       | 1900. | 1920. |                            |
|------------------------|-------|-------|-------|----------------------------|
| (a) Rich               | .. .. | 6     | 12    | Geometrical Progress.      |
| (b) Middle Class (i.)  |       | 5     | 6     | Arithmetical Progress.     |
| (c) Artizan..          | .. .. | 4     | 8     | Geometrical Progress.      |
| (d) Poor               | .. .. | 3     | 4     | Arithmetical Progress.     |
| (b) Middle Class (ii.) |       | 5     | 5     | No change. (The New Poor.) |

Some alteration of the second kind has taken place recently, though of course not quite in those

proportions. The difficulty is that some sections have not advanced at all, while some have not advanced in sufficient proportion to neutralise the rise in the cost of living and to give that greater comfort and prosperity which all classes (except perhaps the very rich) felt to be their due on the victorious termination of a great war.

Now it is well known that prices have advanced continually during the past five years. The first advance was foreseen and natural. It was a consequence of the very real scarcity which is inevitable in any great war. Throughout Western Europe, and particularly in England, an immediate determination was come to. It was that come what might, the standard of living must not be allowed to fall, and that consequently an immediate increase in wages was essential. Accordingly, what was called the war bonus \*—an addition to wages to meet the increased cost of living—was introduced. This was, from every point of view, a wise and statesmanlike proceeding. It was necessary to win the war. We could only win it if our own people, who had the power of Government in their own hands, were relatively contented. We had every confidence in their patriotism. A confidence rightly felt as events turned out, but it is not wise to try a democracy too high. Of all forms of society it is the least stable, the weakest in executive

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\* There is some ground for the belief held by many that the war bonus was given too soon. At the time it was granted prices had not risen appreciably, and we were well into the second year of the war before this occurred. The imposition of the war bonus so early, therefore, had the effect of increasing cost of production and so starting the revolution of the vicious circle which has in the past four years been such a pregnant source of evil.



power, and if, in addition to the death, suffering and moral outrage, the forced military service, and the irritating restrictions which are the accompaniment of all great military struggles, was added actual shortage of money sufficient to provide a decent standard of life, the determination of the country to carry the war on to the bitter end was questionable. We could not have fought the war with a populace behind us, like Dicaeopolis in the "Acharnians" :

" resolved

" To bawl, to abuse, to interrupt the Speakers  
Whenever a word of any kind was heard  
Except for an immediate peace."

It is not fair to say, as some do, that our people were bribed into good behaviour with a war bonus. Bribery and tact are two different things. However, to the cost of production of goods already high in price through scarcity, the war bonus was a further charge, and prices rose still higher.

The next step was inevitable. Wages themselves are not in skilled trades the subject of competition downwards. In other words, the total daily wage of no man is ever reduced by competition. The action of the great Trade Unions emphatically stops that. The remedy of the employers is reduction of staff, dismissal or part time in such times as they cannot run at full cost. But there is nothing to stop competition upwards. In other words, when work is plentiful and labour scarce, the competition for labour forces wages upwards. Now these were exactly the conditions during the war. There was a famine in labour, owing to the calling-up of men for the Army, and wages rose still higher. As a consequence, cost of production and consequently prices rose too.

There was a further factor—there arose a demand for wages of a level proportionately higher than before the war, that is, for an improvement in the standard of living. There are many excuses for the demand. The expectation of benefit from victory, the desire to take advantage of an unprecedented upheaval, are both human and explainable.

However that may be, it was not from the national view-point perhaps the most convenient time for an improvement on pre-war conditions. In spite of booming trade and high prices, the country was really poorer than before the great struggle, and the large numbers of people who had had no advance in their own incomes and who were hard hit by the high prices and high taxation, were no inconsiderable factor in a difficult situation. Before there had been any opportunity of redressing the dislocation already caused by the war, the injury was exaggerated by these new demands. It is this, in the special conditions of the present, which we call the vicious circle, where there is a universal advance in prices and a compensating advance in wages, causing automatically a further rise in prices. There was thus created a totally different state of things from the circle of benefit in normal times, which causes a practically universal betterment all round. We have to-day an increasing number of people being left behind in the advance of wealth, and the re-distribution that is going on is partial and spasmodic instead of being universal and even. The question before us is whether this situation could be cured by nationalisation. It must be at once definitely stated that nationalisation, so far from being a remedy, would but add to the virulence of the disease, a fact which those who are now feeling

themselves economically oppressed, through no fault of their own, should at once take to heart.

Nationalisation of any industry at once creates a privileged class of the workers employed in it. These workers have a double-edged weapon in that they are both electors and trade unionists. As the latter, they have the power of the strike, monopoly, and a key industry under their control. They have therefore all the influence against the Government, their real employer, that a trade unionist has against his employer in an industry conducted by private enterprise. They have in addition a very strong political power. In modern industries the exigencies of production necessitate the concentration of the people concerned in it into a comparatively limited area, probably in one constituency. In some constituencies, therefore, national workers would be numerous enough to enforce direct representation of themselves in the House of Commons. In others, where they were numerous enough to hold the balance of power between the parties, they could prevent the adoption of any candidate who was not willing to go with them the full length of their demands. Now to labour organisers this is all plain gospel. They will no doubt consider the re-statement of it exquisitely humorous. It is this attitude of theirs, however, which makes decently honest men with a knowledge of the facts regard the Labour Party and its organisers as guilty of the most revolting political corruption, and so blinded are they that they never realise that they are guilty.

The very name of "Labour Party" is an outrage upon democratic purity. It is an attempt to bring about class government; it is more; it is as vilely corrupt as the old cry, "our trade our politics,"

which leads men to sacrifice national safety and honour so that the profits of a particular occupation might enter their pockets in increased quantities. With the "Labour" Party this lack of scruple and principle is as clear as in any other political agitation for private ends. In the case of the victualling trade, which has for years been marked down as the quarry of every party in the State and subjected to something approaching persecution, the cry was to some extent justified. In the case of the Labour Party is it naked and unashamed trust-mongering.

Now the effect of nationalisation on an industry is to bring the whole of the labour concerned in it under the Government umbrella. Henceforward they are a privileged class. They may, and probably will, have their own quarrels with the Government itself, just as the postal servants have; their lot will probably on the whole be inferior from every point of view, to what it was when they were employes of private capital. But although they and their *confrères* in other nationalised industries will constitute by far the smaller part of the nation, their lot will be preferable to that of the general population of the country, who will be sweated and bedevilled in order that the privileged slaves of Government Departments may be kept from open rupture with their masters.

The vicious circle under these conditions would, indeed, revolve to some purpose. The customary extravagance of the departments, the impossibility of controlling labour employed, the anarchic experiments and stupid *laissez faire* (between which extremes collective production always seems to fluctuate) would prove a curse to everyone. The best-intentioned Government would be astride the

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whirlwind. Men whose duty was administration, admirably qualified for the proper business of the State, would, as the parliamentary heads of swollen State industries, be wasted to their country and lose reputation and happiness in the vain attempt to achieve the impossible.

Let it be remembered that it is the cry of the nationaliser to nationalise the "public necessities first." He seeks to take these things without which we cannot live, those highly organised industries like mining and transport which have been built up bit by bit to a high state of efficiency and order. These he is to take first, and, having taken them, we shall be throttled by the departments. The State will not take the struggling and infant industries. It will not take those which are gradually building up a new source of employment for labour and prosperity for capital. No, it is only prepared to nationalise those which are already ripe, so that labour, uncertain of employment, and capital uncertain of profit, in these new voyages into regions of adventure which have builded up our civilisation, will be taxed, overcharged, sweated and ill-treated in order to enable the nationalised industries of the State to fulfil their engagements to Socialists and break their promises to the public.

In considering the obvious disadvantages of nationalisation, we must keep steadily in mind that it means the creation of monopoly. It is natural that those who favour the revolution will defend their project with the contention that monopoly by the State is different to monopoly by individuals or companies. It is only different in those peculiarities which makes it worse. The faults of private monopoly are intensified and made more extensive

and durable under public monopoly. Beyond this there is nothing to choose between them.

The first fault of monopoly of any kind is that it gives the consumer no choice either of the person with whom he will deal or of the goods he will buy. The indefinite variety of brands and qualities which an open competitive market offers to him is reduced to vanishing point, and he is compelled to accept what is provided.

As human taste is infinitely variable, it is everywhere outraged by this kind of standardisation. During the butter and fat shortage which occurred at the end of 1917 in this country, the Government, in order to secure quality and distribution, seized all stocks of margarine in the country, and controlled the manufacture of it. One firm of manufacturers in particular, one of the largest in the world, makes a brand of this article of a highly superior quality. It is no higher priced than other makes, but the experience and size of the firm enables them to achieve what is admittedly a very remarkable result. Many thousands of purchasers will accept this firm's product, and "refuse all others." Now, when the Government pooled all stocks of margarine, the customers of this firm in most cases were unable to obtain their favourite brand.\*

Doubtless under private enterprise, if the firm continued to grow, they would in the end secure what amounted to a monopoly, but if and when they ventured to reduce their quality, they would be liable at once, by inviting competition, to lose the results of years of diligent accumulation of

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\* I have no objection to mention the firm. It was the Maypole Company.



good will. On the other hand, those firms making a similar article, and losing the trade in consequence of a better article of the same description being made elsewhere, are under a constant spur to improve their quality in order to retain and enlarge their trade. Private enterprise or manufacture, even when it is monopolist, is always subject to the threat of competition to keep it up to the mark. With public monopoly it is otherwise, for competition is forbidden, even when the service offered is better than that supplied by the State.

The telegraph system of this country furnishes an excellent example. After the discovery that instantaneous communication could be made by this method, various telegraph companies were started. In 1870, with the exception of certain cable companies, these were purchased by the State for £10,000,000, and a strict monopoly established. The telephone became a practical possibility soon after, but on pressure from the post office a decision was obtained that transmission by telephone was an infringement of the Telegraph Monopoly, and since 1878, until the telephones themselves were purchased by the State, the telephone companies had to pay a commission of 10 per cent. of their earnings to the post office. This was an unscrupulous and anti-Social attempt on the part of the State to protect its own bad bargain against the rivalry of a more convenient system. The acquisition of the telephone by the State inaugurated an era of increased cost, red tape, inefficient service and stagnation. The advent of wireless telegraphy gave an opportunity for a similar display of departmental greed, and as long as this important monopoly is retained in public hands and preserved sacrosanct from competition,

the public will be defrauded of the latest discoveries of science. The same story is repeated on a smaller scale in practically every county borough in the kingdom in relation to road transport. Influenced by the megalomania that infests all public authorities, most of our local bodies acquired or instituted electric tramway systems. They were singularly unintelligent. At that very time the internal combustion engine was rapidly approaching practicability, but the local authorities, as usual, backed the wrong horse, and defaced their cities and burdened their rate-payers with a system of traction which is already out of date, and which is inconvenient, clumsy and dangerous to other traffic. Naturally it called forth the competition of a better thing. Local councils have not the powers of the post office, and could not smother the rivalry of the motor omnibuses, but they have, by such means as lie to their hand, over and over again attempted to penalise by taxes and unnecessary supervision, a trade rival of their own which the public prefers. Having pledged their credit and mortgaged their resources with an obsolete means of service, the public is now bound to maintain a white elephant which, if it were not rate-supported, would in a few years be financially bankrupt and practically extinct.

The arguments already given against nationalisation are couched on abstract grounds. There are, however, certain other matters to be urged which can be stated in rather more direct and practical terms. At a deputation on behalf of the Parliamentary Committee of the Trades Unions Congress, which waited upon the Prime Minister on October 10th, 1919, Mr. Lloyd George admirably summed up two of these objections — that

Nationalisation would neither save expense nor increase output.

"Nationalisation," he said, "would not save expense. You would save expense by the process of unification, but that is common to any proposal of unification. You certainly would not save expense in wages. One experiment in nationalisation (the railways) has increased the expenses enormously. I do not say you would not have had the same increase in expenditure if the railways had remained under private control, but at any rate it has not saved expense in that respect. I am told that the output would increase. How will it increase? It is said that the worker would work better; he would work better if he knew he was working for the State than if he thought he was working for shareholders. I do not believe you could point to any case where men work better for the State than they work for syndicates; not one. The State is a very great employer of labour. It is an employer of labour in the post office and in the dockyards. Municipalities in their communal ownership own gigantic industries, but I do not think you can point to a single case where it can be said that workmen, working for the commune, either the local commune or the national one, work more heartily, work harder or increase the output in comparison with their fellows who are working for a syndicate—not one. I think you will find as a rule—though I have heard it suggested to the contrary—that the output in municipal and, certainly in national workshops, compares very unfavourably with the output in private yards."

The State cannot with propriety undertake speculative business. The first argument in support of this dictum might be rejected by some as purely

academic, but it is none the less sound. The very essence of good government is the evolution of satisfactory principles. The business of Government is so wide and so varied that attachment to first principles is of the utmost importance. The ship of State must have some compass to guide it other than mere expediency and opportunism. To pursue any other line of conduct than consistency in ideal is certain to lead to hesitancy, confusion and a catch-penny policy which temporarily conciliates voters without leading to the real benefit of any class in the community. The State, then, is the Trustee of the nation, and of its people. In some matters it is directly and legally the trustee, as, for instance, in its custody of the funds (some £200,000,000 in the Post Office Savings Bank). For these it has no reserve of cash at all. The only security of the depositors is the credit of the State. In other directions the State is a trustee by inference. It is the recipient of vast powers conferred upon it by the populace, powers to pledge the credit and assume control of the money of any person within its borders. It must exercise these powers of loan, taxation, and expenditure with that care which a trustee should exercise in the management of a trust estate. It must only invest in securities which are relatively gilt-edged, or certain in their returns, for speculation is no part of the duty of a trustee. Sometimes, as in a foreign war, enormous risks are rightly undertaken by the State in the defence of its people, but if the State holds steadily to the ideal of Trusteeship, it will be realised that aggressive and adventurous wars are foreign to its first principles, while defence against aggression is essential, just as the protection of his ward against misfortune is essential to the duty of a Trustee.

From this example it is possible to realise how universal are the reactions achieved by an abandonment of first principles, and how the defiance of conscience in one department of the State is prolific of ill effects in every other. Aggressive war is murder ; defiance of the right of property is theft. The State, like its citizens, must obey the Ten Commandments, and if it does not, neither it nor its people can expect to prosper.

But on practical grounds there are objections of irresistible force to the State undertaking speculative adventures. The first of these is the improbability of its carrying them through to success.

It must first be realised that a national industry is not managed by the nation. It is not managed by the Government. It is managed by an official, or several officials, or a hierarchy of officials appointed by the Government and paid by the nation. Whatever protests may be made to the contrary, and however unwelcome the truth may be, Government management of any industry would be bureaucratic, and would necessarily involve and include all the acknowledged faults of bureaucratic rule. The civil servant as a rule is very cautious, and detests innovations, first because he has it ingrained in him that it is not the business of a public official, on general principles, to take risks ; second, because he is a human being with a thorough-going respect for his own official skin. If he introduces a change and it is a success, he gets no credit ; if it is a failure he gets all the blame. Innovations make work. A public official is just as much in favour of short hours for himself as the most enthusiastic Trade Unionist. Even the Government itself would be susceptible to criticism ; indeed, nothing is more terrified of adverse criticism than



the average democratic Government. If the Government is incapable, as many are, fettered by a chance majority, ruled by catch-words, tied to a popular fallacy, none of which unhappy incidents of popular rule are by any means rare in this or any other country, nothing more need be said. The greater the number of responsibilities of such a Government, the worse for the public. If, on the other hand, the Government is at heart sound, reasonable and good, even then the chances of the industries being successfully run are adverse.

Let us suppose that the Government and its advisers having carefully considered all sides to the question, having full information on the subject and acting entirely in the interests of the country at large, take a decided step in the course of conducting some particular industry. It is the inevitable result of Party or of Group Government that whenever the Government does anything whatever it will at once be attacked for doing it. Naturally, too, the attack inevitably knows less than the Government, for it has not the same sources of information. The bigger and more vital the step, the fiercer will be the outcry. We live in a land which is the happy hunting ground of the amateur. The Socialist on his tub in the marketplace thinks he knows more of finance than the Chancellor of the Exchequer or the Governor of the Bank of England. That vital and truly scientific question, the Tariff, was the subject of fierce argument between millions whose knowledge of foreign trade was limited to the operation of the Parcel Post. Faction, party spirit, the desire to destroy the Government, to climb into power, to satisfy political rancour, are motives which know no conscience.



We will assume then that the Government, in possession of full information, after serious consideration, and with prudence and judgment, proposes to the House some step in connection with a national industry. It is at once attacked. Speeches in the House are bitter against it, organised opposition is felt, a furious Press campaign rages, public meetings roar through the constituencies. The Government either is forced to give way, or refuses to give way. It is beaten at the polls and its policy reversed. The country loses. That this is not a fancy picture, any person familiar with the British House of Commons, the American House of Representatives, or the French Senate, will agree. It has happened repeatedly. No Government for instance has ever been more unfairly attacked than the British Coalition Government during the year following the war. Faced with a colossal problem—the demobilisation of an army of 5,000,000 men and the absorption into the work of peace of several million more all busy on war industries, it set to work with rare courage and industry. Early in the year 1919 the entire country was aghast at the extent of the problem. The following year the Government was nearly burnt in effigy because there were a number of unemployed. Three million unemployed? No; only three hundred thousand, a smaller number than before the war. The Government had done its work so moderately, peacefully and thoroughly that it had converted its charge from an armed camp into a hive of peaceful industry, and yet at every step it was badgered, abused and attacked. For sheer ingratitude the bye-elections of the year 1919 constitute a record.

Under these circumstances, what hope can we

have for the successful prosecution of a nationalised industry? None. The delicate operations of international commerce, of the direction of industry, of scientific research, do not constitute suitable subjects for a debate on the floor of the House of Commons. The captain of industry to-day does not represent a Daniel crying aloud his intentions on the housetops of Babylon, and a Government in trade, if it is to succeed in trade, must display the quiet calm, the reserve and the secret decision of the captain of industry rather than the oratorical fervour of a Hebrew prophet.

## CHAPTER IV

### THE EXCHANGES

IN connection with the considerations urged in the last chapter, it is relevant here to consider certain characteristics of private capital. It must be clearly comprehended from the very beginning that the "total abolition of capital and the capitalistic system" urged by a very large proportion of the labour world is an absolute impossibility unless a return to barbarism is desired. All that nationalisation involves is a change of masters—of the private employer or company for the State. Capital cannot be "abolished" without reducing civilised mankind to the level of a Papuan savage. Nationalisation—or Socialisation, for that matter—means a transfer of the ownership of capital from the individual to the State. It has been urged that private capitalism in its modern form involves certain evils, theoretical and practical, which distinguish it from other periods of production. The phrase "modern capitalism," is used advisedly, because ever since man began to save seed from each crop for the next harvest, or to make, beg, borrow or preserve tools of any sort, however simple, to aid him in production, there has been capitalism of a sort, and capital.

Modern capital, however, does present certain features which distinguish it, more or less superficially, from earlier methods of production. It is

not correct to say, as Marx and his followers assert, that capitalism of the sort we are accustomed to to-day is entirely a product of the nineteenth century. It is not. Wage-labour and factories of a sort, certainly mines, were well known in the ancient world, and pottery, textiles and other objects lending themselves to mass production were dealt with in the ancient world in certain great commercial towns on pretty much the same principles as they are dealt with to-day. Still, when candidly examined, it is clear that the mass production of to-day carried on by machine tools, is very distinct from the craftsman production of earlier ages. The workman to-day does not own the tools of his trade and to that extent is, as the Socialists say, divorced from the means of production. It is possible to admit that this is an evil; but it is impossible to say how it could be cured by nationalisation. To-day the workman does not own his tools; under nationalisation he not only would not own his tools, but he would be, by law, debarred for ever from owning them. If, as is asserted, the evil of to-day is the divorce of the labourer from the instruments of production, it is difficult to see why nationalisation should be urged as a cure for it. Privately owned capital to-day at its worst only pronounces a decree *nisi*. Nationalisation would make it a decree absolute.

It is unquestionably true that great social and industrial advantages would arise from the labourers having some share in the rewards of capital. There are sound economic advantages in co-partnership between employer and employed. Co-partnership is, however, not applicable to all business, and in the blind enthusiasm for the scheme which many profess, it is just as well to point this out.

We have seen that the State is, from the inherent conditions of its existence, debarred from speculation, and that these conditions are mainly administrative, in that the State would find it impossible under most circumstances, to find officials of adequate courage or judgment or honesty to carry out speculations on its behalf.

On somewhat different grounds, in average cases, it is equally inadvisable for the small possessor to speculate. Before considering these, it will be convenient to attempt a classification of wealth-owners or capitalists. It is a commonplace that every person with resources more than sufficient for his immediate needs is in a sense a capitalist, but in the industrial sense the latter word is confined to those persons who directly employ their resources in reproductive enterprises, leaving the large class of investors as those who are content to allow their resources to remain in inelastic but safe securities, and who look to the low but constant return in interest upon them as their only reward.

Both render distinct services to the community, the one in the form of enterprise, the other in thrift, and accepting Adam Smith's well-known dictum that a man benefits his fellows by what he saves and not by what he consumes, the investor renders services of no mean order.

The capitalist, on the other hand, looks to extended business. He desires large profits and takes big risks to get them. It is quite clear that any capitalist who risked his all in some hare-brained enterprise and lost it all in a wild gamble, would be a public nuisance, for whenever a wild speculation fever seizes a community, society is in the long run injured. But the vast bulk of reproductive capital in a country like England is not risked in wild

speculations. It is ventured after serious and expert consideration in reasonable projects and frequently in new inventions, departures and discoveries. Thus adventured, capital plays a foremost part in the advance of civilisation, and were it not for this constant adventure the trade and manufactures of the nation would soon decline into the third rate.

An interesting illustration of the operation of this principle may be seen in the Lancashire cotton trade, which is almost our greatest single source of wealth. When it is realised how exotic this industry is, both the source of its raw material and the chief markets for its goods being thousands of miles from the scene of manufacture, it will be realised how urgent competent management and shrewd adventure on the part of those controlling the capital at stake are to the trade. Like every other industry, the cotton trade is liable to occasional spells of depression. At such times the tendency is to close down the older mills. The less efficient machinery and therefore higher working expenses of old-fashioned factories, cause them to be the first to feel the effects of bad trade. If, therefore, there was not a constant renewal of the capital in the trade by the constant erection of new and up-to-date mills, nothing could save the industry from extinction. Capital invested in industry is by its nature terminable ; it has a limited life which can be prolonged, but not made immortal, by a depreciation fund. The product of the industry therefore must, like every other product of industry, be carefully analysed. It consists, as usual, of five items : Purchase of raw material ; payment of labour ; insurance and working expenses ; rent and interest ; depreciation. Anything



above this is profit. Depreciation, however, is but the replacement of existing machinery, and the winding-up through bad trade of an enterprise of this kind reduces the machinery to the value of scrap-iron. In the vast majority of cases, however, a large portion of the profits earned are devoted by their recipients to the constant establishment of new mills, and thus the industry is kept alive. A moment's thought will show how absurd is the attempt to demonstrate the unfairness of modern capitalist conditions by appeals to the totally misleading estimates of the division of the national income into wages and profits.

Many years ago, Professor Cairnes, in his "Leading Principles," would appear to have had some inkling of the habit of trade described above. He phrased it badly, however, and supported it on wholly unsatisfactory grounds. His theory was that "excessive profits are always in the end restored to labour." The "same motives which lead to its investment would lead to its reinvestment, and once reinvested the interests of those concerned would cause it to be distributed." Cairnes used in this argument a most unhappy phrase, that "covetousness is held in check by covetousness." The motive is not, in the instance we have given, a case of covetousness at all, but a clear appreciation of the unpermanent nature of all industrial capital and a determination to create a fund to replace it on its expiration.

Francis Walker in "The Wages Question."\* severely criticises this contention of Cairnes. It would seem, however, that Walker did not quite

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\* Page 238.

follow the argument. It is not, as Walker alleges, a case of imagining that the capitalist class in a state of imperfect competition act consciously as the guardians of the wages class. It is that the operation of the natural law of self-preservation forces the capitalist class to aspire to an adequate fore-knowledge of future conditions.

This is a correct precedent to speculation of a legitimate description, and is, as a matter of fact, a national asset. This delicate and accurate perception would necessarily be lost in any nationalised system. It is an old saying that a man invests his own capital, just as he spends his own money, with far more care and thought than he does that of other people. Any attempt to reform the conditions under which humanity lives must take careful account of natural laws, and among natural laws must be included those principles on which mankind as a whole guides its conduct. They are perfectly comprehended and just as permanent and invariable as they are comprehensible. Sound government therefore frames its policy in accordance with them and not in contradiction to them. Any other line of conduct on the part of the legislature must end in ultimate failure. In spite of all that has been urged to the contrary, the utilitarian theory of the economic man is a perfectly true one. As a whole, man acts in his own interests. In time of war and under the influence of passing moments of lofty altruism are vouchsafed to most of us, but taking the average life as a consistent whole, altruism plays a very small part.

It is not by any means true that altruism universally practised would be at all desirable or successful, or would lead to results calculated to do otherwise than destroy what measure of human happiness

now exists. The instance can be conjectured of a public-spirited citizen so obsessed by the ideal of public service that he neglected the interests of himself and his wife and family for those of the common good. The end of such a career would mean the creation of a certain measure of unhappiness in his own surroundings and the imposition of a burden on his fellow citizens. The man would be a disastrous failure. We can imagine a whole nation gone mad on similar ideals with the loftiest motives. In such a case the entire nation would be a failure. If nobody minded his own business, no business would be done.

Such a consummation is not at all likely to arrive. It may be urged that the attitude of mind, that of life-long and absolute self-sacrifice represents a higher plane of morality than that common among people to-day. It may be so, and granting that it is, it is no more frequent than it was in any previous age in this or any other country in the history of the world. Human beings are human beings. What is called morality is the self-expression of a human being. We have made an enormous advance in the knowledge of material science during the last thousand years. We have made not one inch of advance in either morality or knowledge of moral science during the last two thousand.

We must concede a certain fundamental proposition—that every year an increasing portion of the national product must be set aside for further production. With an increasing population our capital must be increased also. It must be obvious that not only must the capital be increased to meet the demands of an increased population as a whole, but that it must be increased per head of that population. The growth of civilisation is largely a

question of increase of capital. As civilisation improves, the consuming power per head of the people and the amount of wealth produced annually per head increase, and thus each person receives an increasing portion of the comforts and necessities of life. This necessarily implies that the production per head must be increased also. Now the two main factors in production are capital and labour. We can either increase production by adding to the skill and intensity of labour, and by adding to the hours which it works, or by arming it with better tools ; that is, by increasing the capital that assists it. Now it is obvious that the labourer of to-day is no more skilful than his forbears. He is rapidly ceasing to be a craftsman ; he long ago ceased to be a creative artist. His work—that of a repetition worker in charge of a machine—is more easily and rapidly learned than the trade of his forefathers. The comparative ease and speed with which diluted labour during the war in the factories caught up and in many cases over-past the “ young skilled engineers,” who were exempted from military service, will be fresh in the memory. Similarly, they neither work so hard, nor so long. This is no criticism of labour to-day. It is a plain statement of a fact upon which all classes can be congratulated. For the service which capital renders has been increased. It is that which has taken the burden off the back of labour.

Now, in order to add to our capital, we must increase our savings. We must reserve every year out of our production an ever-increasing portion which is to be set aside for further production. Under what scheme of society is that process most likely to be carried out ? Under nationalised industry it would necessarily have to be carried out

by the State, and it is frankly impossible to summon to the mind the name of any State, municipality or public authority whatsoever that ever saved anything. With a population for ever clamouring for a reduction of taxation, for a cheaper supply of the services rendered by the State and for increased wages and improved conditions of labour for those employed by the State, it is obvious at once that the accumulation of reserves would be impossible, and even the making good of depreciation would be difficult. Under democratical conditions to suggest that a State could accumulate and not distribute the full amount of production, is to suggest the absurd. As a fact, the State under this form of industrial administration would grow gradually poorer. So far from capital performing an increasing proportion of the labour of production, it would perform a decreasing proportion. Necessarily slowly, perhaps almost imperceptibly, but very surely, the burden on labour would grow more burdensome.

We have positive proof that in the hands of private enterprise, capital has increased enormously. For the essential feature of the capitalist system, and that which makes it inevitable in a progressive world, is that it throws the ownership of capital into those hands which are least likely to consume it, and, therefore, the future is automatically safeguarded.

It is a favourite accusation of the Socialists that under our present system assets have been wasted. There is no proof of this, but universal experience to the contrary. There is also universal experience throughout history that whenever a State, Government, municipality or public authority of any description whatsoever has had control of assets, it

has wasted them, worked them expensively, and so far from adding to its savings, has added to its debt.

We see then that the private owner and manager of capital renders a useful service to the society of which he is a member, and that so far no alternative has been suggested by which another system, at once as competent and as naturally efficient could be substituted for him.

It is unquestionably fortunate for those who are capitalists that they are so. It is fortunate for those who are climbing towards this eminence that they have the natural powers that enable them ultimately to become so. It is possible to admit that the lot of a capitalist is more fortunate than the lot of a labourer. But in making these admissions there is no ground for the further admission that because they are in the material sense more fortunate that therefore they ought to be abolished. No argument can be advanced for social equality beyond the quite irrelevant contention that certain people want it. To desire a state of society in which no deserving person is in abject poverty, and in which every one has a chance of bringing out the best that is in him, is not to desire equality. As a matter of fact, the mere fact that certain people are materially better off than others is no reason for their persecution and abolition. It is impossible to escape the conviction that much of the feeling behind the agitation for nationalisation is of the meanest description—a mere blind jealousy of those better off. This is in itself a social vice quite as mischievous as greed, and there appears to be no satisfactory reason why established society should be overturned in order to gratify it.

There are two things which all men are supposed



to desire—wealth and power. The desire to possess one or the other, or both, is a perfectly natural human instinct, and yet in all ages of the world men have been decried for desiring to obtain that which all men do desire. At one time the man ambitious of power was decried as a tyrant, and he who held firmly to his goods, in an age when all property was insecure, was lauded as a sturdy citizen. To-day, we seem to have reversed the mental attitude. Those who in order to gratify their lust of power would subvert the State, are praised as public-spirited citizens, while those whom they attempt to despoil are branded as thieves.

It is of course the age-old see-saw between power and wealth, between the politician and the merchant. The more honest will recognise the phenomenon, and condemn the hypocrisy with which the attack on wealth is now veiled.

In addition to its function as the reserve for future production which we have attempted to outline above, privately owned capital has a second purpose, that of insurer. From what has been said, it will have been gathered that wealth in private hands is more rapidly and more conveniently increased than it is in public hands. To all enterprise, whether public or private, the future is a book only read more or less dimly, and to expend resources in the hope of future gains is to take risks. Just as the farmer exposes his seed corn to the risk of drought or flood, of blight and bird, in the expectation of an increase, so the capitalist venturing on a project undertakes a hazard with fortune. When a hazard falls upon the State and loss results, the loss is felt by all, but where the loss is endured by private capital the loss falls upon the private

capitalist concerned and the State escapes. To this it may be objected that we have throughout treated the capitalist as a kind of trustee and adopted the attitude that the community ultimately benefits by his ownership of the capital. That if that capital is lost the community loses for (to use the phrase of the older economists) the wage fund is diminished. This is unquestionably true up to a point, but it cannot be urged as a complete answer, especially by those who favour nationalisation, for it is these who favour the levy of a tax upon capital in order to redeem the war debt. If the objection were altogether sound, it would be immaterial who owned the war debt. A fuller answer to this objection will be made, however, when we come to examine the international nature of capital.

Where, however, the judgment of the capitalist is justified, and the speculation succeeds, the nation is the gainer, for not only is an industry stabilised and means found for employing labour and furnishing wages, but the State itself directly increases its revenue through an increased source of taxation. A good deal of arrant nonsense has from time to time appeared with respect to the gains of the capitalist, arising out of a fairly widely held misconception called "the theory of surplus value." According to its author, a German revolutionary of Jewish descent, surplus value represents the difference between the labour-cost of a commodity and the price at which it is sold. Building successive edifices of romance upon this ludicrous theory, the modern Socialists have arrived at the astonishing conclusion that the more successful a capitalist is, the greater is the sum of which he robs the public. Thus the successful capitalist is plainly (according

to them) an enemy because he is making money. By the same reasoning, one would suppose that if he is unlucky and incompetent he is a friend of the public because he is losing money.

Reference has been made to private capital as a source of taxation, and without digressing into the vast subject of the general economics of taxation, certain considerations must be dealt with here. The English State has not, as a State, ventured, so far, into many branches of trade. The municipalities certainly have, and what is true of them would be true of the State were it so ill-advised as to follow them into further ruinous experiments. One branch of trade, however, the State has entered, that of telegraphs, and this will serve as an example for the argument.

Upon its telegraphs the State has, since they were first undertaken, annually lost a certain sum of money. During the period between 1901 and 1916, the average loss on this branch of enterprise worked out at about £1,000,000 per year. This loss was borne by all the privately conducted enterprises in the country, railways, mines, mills, factories and farms. According to the Census of Production, 1907, the net output of the principal industries of the country was about £712,000,000. Now let us suppose the railways to be nationalised. The taxable income from the railways (profits) before the war, was about £33,000,000, making a total production of £745,000,000. If the railways are taken over by the State, the income for taxation would be reduced by that amount. But in the present year the railways under Government management have made a loss of £46,000,000. This also will have to be borne by the production of the country. Thus instead of a loss of £1,000,000 per

year borne by a production of £745,000,000 (at 0·15 per cent.) we get a loss of £47,000,000 borne by a production of £665,000,000, or 7·5 per cent., a burden on the surviving industries proportionately fifty times greater. With every addition to the number of nationalised enterprises, the burden would grow heavier and heavier, and the backs to bear it narrower and narrower. The end would be reached long before all the enterprises in the country were nationalised, for the nationalisation alone of land, railways, mines and drink traffic could easily impose a burden of 50s. in the £ on the other enterprises in the country in taxation to make up deficits on State conducted enterprises. Taxation being a cost of production, the nationalisation of the three enterprises could easily, in any year, cause the whole production of the country to be conducted at a loss. Those who glibly advise nationalisation of an important industry are thus, for a mere fad, imperilling the livelihood of every breadwinner in the British Isles. The first essential of every industry is that it should be conducted at a profit. Profit is the measure of success. The State can conduct one industry at a loss, mulcting the taxpayer to make up for its inefficient management, but it cannot conduct all industries at a loss, and it cannot incur such losses on the industries it does conduct as will neutralise the profits made on industries under other control. And even with the State, the measure of its success must still be profit, for out of profit comes the fund that is to provide for future expansion. Private capital is our only source of taxation. If the amount of private capital is reduced either by nationalisation or punitive taxation (and the terms can be regarded as interchangeable) nothing can result but national bankruptcy,

with its natural consequences of continual unemployment and almost universal starvation. So far we have regarded nationalisation as purely an affair of home politics, but as a matter of fact, the subject should really be regarded from a very much wider standpoint. The extraordinary economic conditions of Europe as a result of the war cannot be regarded with complacency by any sane person, but in the welter of poverty, distress and confusion one fact does clearly emerge. Modern States are to a degree never before contemplated, interdependent, and even that Germany, which in consequence of her cruelty, barbarism and dishonour in the war, so many of us would willingly have banished outside the family of nations, is seen to be really an intergal and not unimportant member of the confraternity of States.\*

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\* I do not, certainly, take the view that she is indispensable. Russia was considered to be indispensable, but of her own act she left us. Her desertion is inconvenient, particularly in the food supply, but it is not insurmountable, and with every year that passes her defection becomes less essential. Conditions adjust themselves in the end, and the lapse of comparatively few years would cause Russia to be of no more importance to Europe than Australia and Canada were before they were discovered. With the complete relapse into barbarism—which is a by no means impossible fate for that enormous country—we should contemplate it as a convenient area for colonisation. If her population succeed in nearly exterminating each other by dirt, disease, civil war and famine, this will be its fate. There is nothing startling in this. There were probably more people in Peru under its last Incas than there are in Russia to-day. Population, as Findlay points out,\* decreases at a faster rate than the diminution of capital under an oppressive and confiscatory Government. "The chief causes of the denudation of the national resources will then arise," he says, "from the members

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\* "Greece under the Romans." Section XI.



It is, however, rather to the question of the international nature of capital itself that it is here desired to direct the attention of the reader, and the matter in relation to nationalisation, is of paramount importance. The British public in general is only just waking up to a consideration of the question of the exchanges, but has, by a sharp lesson, acquired a knowledge at all events of the disastrous effect on home prosperity caused by an adverse exchange. If we can show, then, that Nationalisation would further assist in the depreciation of British currency and so intensify the rise in the cost of living, and the monetary dislocations which form so urgent a problem to-day, we shall have still another argument, conclusive by itself, against any further tampering with the control of industry.

Many years ago, the late Mr. Gladstone, in discussing the nationalisation of land, asked how it was proposed to acquire it for the nation. "If," he said, "you mean to pay for it, it is a folly. If you do not mean to pay for it, it is robbery." This no doubt is true enough, but in spite of the Bolshevik regime in Russia, it is extremely unlikely that any private property in this country would be nationalised without compensation to the owners. No doubt in the process of nationalisation there would be some high-handed work. Some owners would receive less than their due, others, in a few

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of society consuming too great a proportion of their annual income to reproduction."

Russia gone, Germany might follow. We should appreciate the loss. But we should survive it. But few people appreciate the extraordinary rapidity with which population can increase or decrease. The short period of a hundred years could reduce our population by 75 per cent. without the change being noticeable to the average citizen.



cases, might get more. Even private speculators sometimes make mistakes in buying land, and the State would not be any more perspicuous than the average real-estate expert.

Several proposals have been made as to the method of purchase, but in effect they all simplify down to the issue of stock. Whether the stock was issued to underwriters to raise money on loan (a hopeless proceeding) or issued direct to owners in payment is immaterial. The latter course would of course injure the owners without benefitting the State. This will be quite clear from the following examples.

Suppose the State determines to nationalise the railways. The value of the railways is assumed at £1,000,000,000. Stock is created and is issued to shareholders *pro rata* to their holdings. There are a very great number of difficult assessments to make, but in the end these are surmounted and the stock issued at par, on a fixed rate of interest, let us say  $5\frac{1}{2}$  per cent. The stock is now negotiable in the market and some of the holders for various personal reasons offer theirs for sale. Now in the first place, the actual rate of interest fixed would not be determined without discussion, and the stockholders would be quite conceivably dissatisfied. For this reason and for the reason that so huge a new issue would over-load an already choked market, the stock would in all probability depreciate.

It is unquestionable that the State could not contemplate saddling its future credit with an unredeemable stock, and the stock issued would therefore be subject to redemption out of sinking fund at stated periods at par.

Now what would happen would be this: A shareholder with 1,429 ordinary shares in, say, the

South-Eastern Railway, which show him  $3\frac{1}{2}$  per cent., the £1 shares in the market standing at 12s. 9d., is in receipt of an income from the railway company of £50 per year. This establishes the basis on which he receives Government Railway Stock. They have determined on a  $5\frac{1}{2}$  per cent. basis, and he is to receive an income from Government stock of £50 per year. He is therefore allotted £909 in stock. As long as he holds this, he receives his fifty pounds a year, but for the reasons indicated, which operated in War Loan, in Irish Land Stock, and in all municipal stock, the value of the stocks sinks. Let us say it falls to 95. When the holder comes to sell he only receives £844 for it. The purchaser, however, if he is lucky in the draw for redemption, gets the old value from the Government, and thus the original shareholder loses.

There is, however, a far more serious aspect of the matter to consider than this. The gradual appropriation of the industries of the country by the State would leave fewer and fewer opportunities for the operations of private enterprise. A very large number of holders of what for want of a generic name we can call "Nationalisation Stock," would desire to find openings for their enterprise. There is no doubt that the vast majority would so desire, for out of nearly sixteen million men and boys above the age of fourteen in the British Isles, under the age of sixty-five years of age, only 180,000 (or about one per cent.) are unoccupied.\*

It follows as a necessary consequence that the only openings possible for them would be abroad. This would imply the transference of an enormous bulk of economic power from this country over-

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\* Many of these do useful unpaid work (scientific research, etc.). Some are hopeless invalids.

seas. No doubt in the past many hundreds of millions of British capital have been invested abroad, but this after all was to a large degree surplus capital, and was not the basic resource of important industries, as under the circumstances we are considering. It follows also, that, when the stock-holders desired to realise, they would be condemned more and more to sell to foreigners, for the enterprising part of the home population would more and more be reduced to mere annuitants, while, when and as the Government redeemed its nationalisation bonds, the proceeds would from similar reasons also "go west." It is difficult under conditions such as those depicted here to find adequate words to describe the state of the British exchanges. People have to-day a somewhat bitter experience of what prices mean when the exchange is against us, but with a constant and ever-increasing drain caused by rapidly swelling foreign indebtedness, the discount on the sovereign would be literally appalling.

No doubt the British Government would endeavour to stop the investment abroad by penalising in the Income Tax foreign derived incomes. It would be the only remedy open to them. The mere threat of such a thing would aggravate the exchange difficulty and speed up the process, besides injuring their own credit irretrievably, as they would discover when they tried to float new loans. Further, the income would never come home at all, but its owners would follow it abroad and thus the State would lose citizens as well as sources of taxation.

No experiments such as those described in these pages continue indefinitely. When they have wrought a certain amount of harm, and a certain amount of loss has been incurred, they are

abandoned. This, at all events, has been our experience in the past, when Governments have, though consisting of educated and experienced men, in spite of their qualifications embarked on ill-judged and Socialistic legislation. We are told, however, that to-day we may look forward to the possibility of a "Labour" Government. It must clearly be realised that their experience and education would be conspicuously lacking. We should have a Government imbued with a contempt for financiers, with the faint knowledge that there were such things as exchanges, but with no notion of what they were, and a predisposition to hasty and ill-considered legislation, coupled with an enthusiasm for destroying those constitutional safeguards which hampered their own folly. They would be mentally capable, even in the absence of revolution, of carrying the Nationalisation policy to its logical conclusion. Its logical conclusion is an England heavily in debt to foreign countries, with no visible sources of taxation as a means of subsistence, with all its industries conducted at a loss by civil servants, with no rich left on whom taxes could be levied to make good the deficits, and with the exchanges so rigged against it that imports of any sort would be at a prohibitive price.

We should thus have the England for which the Socialists are striving. Nobody in it but working men and their starving families. Nothing left to confiscate but buildings rapidly falling into ruin, worthless Government stocks and rusting and worn-out machinery. The world, such as it was, would be for the workers, and Austria to-day would be a paradise compared with it.

To a certain extent the exchanges are to-day held in favour of this country by means of our foreign

investments. The balance of trade has apparently been against us now for a period of nearly seventy years. From 1815 to 1853 the total imports amounted to £2,300,000,000, the total exports to £4,000,000,000, a balance in our favour for the thirty-eight years of £1,700,000,000. In the year 1853 the exports were £242,072,000, the imports were £123,099,000, a balance in our favour of £118,973,000. In the following year the exports were £115,821,000, the imports were £152,389,000, a balance against us of £36,568,000. Since then the apparent balance has always been against us, and has increased year by year from the figures named to a sum of £537,085,000 in 1917, when the imports were £1,064,164,000 and the exports £527,079,000. Now, this enormous balance is, or was, paid for in various ways. The carrying trade of the world is conducted by the British, and freight charges are owed by other nations to us; the commissions on banking, finance and insurance make another big item, and finally the interest on investments abroad makes up the difference.

In view of these items, one notes with increasing irritation the persistent reiteration of Labour "experts," that the working classes of this country produce the wealth. In the year before the war goods to the value of about £1,700,000,000 were consumed in this country. At least a quarter of this sum consisted of brokerage on foreign finances and interest on British investments abroad. Man for man, the middle and upper classes—the black coats—contribute to the British National Income nearly twice as much per head as the "working" classes in money directly earned and paid to them by foreigners for services rendered. The attempt, therefore, to starve out these classes as being "on

the backs of the worker " is the most suicidal and idiotic proposal that has ever yet been mooted by a democracy—which is saying a good deal. For these are the " saving " classes, their savings during the year named being approximately £250,000,000, their actual consumption of wealth is actually lower per head per pound earned, their production being 100 per cent. higher. No notice has been taken in this calculation of the taxes. It is notorious that these, both local and imperial, are nearly all contributed by the more thrifty and more productive middle and upper classes.

These calculations and arguments are based on the peculiar economic position of Great Britain, and suggest to its people that it is better for us to arrange our national policy to suit our present business relations rather than base our future actions on the theories of a German Jew whose doctrines were formulated on experiences accumulated in a foreign country nearly seventy years ago.

As a matter of fact, the impossibility of Socialism as an economic method for this country is so easily demonstrated in figures that it is surprising that the movement has not long ago been laughed out of court. In spite of the inflation of the currency and the great rise in prices since the war, this country is a great deal poorer than it was. People must not compare profits or wages to-day with profits and wages six years ago. Both are stated in the pound sterling, but the pound sterling of 1914 is not the pound sterling of 1920. If we are told that the pottery artisans of Athens in 500 B.C. received one obolus per day, and that the Staffordshire potter of to-day received one pound per day to-day, and that therefore as each got " one " the wages of the twain



were equal, we should see the absurdity of the statement at once. The comparison of the 1914 and the 1920 sovereigns is almost as silly.

There are only two methods by which a country can grow in wealth—by production and by trade. During the war, by lack of transport and want of manufactures, our export was very low. We made nothing by trade. Most of our trade was a dead loss, and consisted in exporting munitions and coal to our Allies, for which we were never paid. On the other hand, practically all that we produced is now rusting in the soil of Picardy and Flanders. It is production lost for ever. If we take the figures before the war, therefore, we are over-stating the case, the case, that is, in real money and not in fictitious values. The aggregate income in 1913-14 derived from all sources was about £1,900,000,000. Of this £800,000,000 was received in wages and £264,000,000 was received by small salary earners and small individual workers whose earnings were less than £160 a year. This makes a total of £1,064,000,000 paid to labour, and leaves a sum of £836,000,000 remaining. Of this remainder, we get £50,000,000 small items of unearned income. (Dividends for Co-operative Societies, Old-age benefits from Friendly Societies, and so forth), £20,000,000 paid to soldiers and sailors abroad, and £26,000,000 miscellaneous agricultural income. These amount to £96,000,000, which, deducted from the previous remainder, leaves £740,000,000 received by income-tax payers, whether professional men, colliery managers, sea-captains, millionaires, police inspectors, station-masters or any of the followers of the thousand and one ways of making a living. Of the total sum, £475,000,000 counts as unearned income. It must

be remembered, however, that large sums of this are derived from the savings of retired workers, and from the pensions of teachers, civil servants and others whose pensions are really deferred pay. However this may be, the total sum of £740,000,000 is exposed to attack by predatory Socialists. Out of the 740,000,000 comes practically the whole of our annual savings, and the whole of our taxation, local and imperial. The income of all endowed charities, hospitals, etc. (£14,000,000), all public elementary education £36,000,000, Poor Law Relief £18,000,000, Old Age Pensions £12,000,000, Public Health £12,000,000, show some of the sums received solely by labour and paid almost entirely by capital. The Army and Navy, telegraphs and many other services are for the benefit of the whole country. Labour profits by these just as we all do, but the respective benefits received by the various classes under this head are incalculable, and are therefore presumed to be equal. We can, however, add the direct benefits (which total £92,000,000) to the share of Labour, bringing it to £1,156,000,000, and deduct the endowed charities (£14,000,000) and Income Tax (£44,000,000) and Estate Duty, etc. (£30,000,000) from the share of "Capital." These total £88,000,000. We thus get £1,156,000,000 received by Labour, and £652,000,000 received by Capital. It must not be forgotten that about £250,000,000 a year is saved annually in this country. It would have to be saved in any case, even under Socialism, or the country would go to ruin. We can be quite sure, however, that the democratical populace under a Socialist Government would clamour for its expenditure upon them. However this may be, it was saved by the capitalists, and we thus get

the respective amounts of home produced wealth *consumed* by the respective classes.

|                                |    |               |
|--------------------------------|----|---------------|
|                                |    | £             |
| Capitalists (6,000,000 people) | .. | 402,000,000   |
| Labour (39,000,000 people)     | .. | 1,156,000,000 |

This gives Capital £68, and Labour about £31, per head per annum. This means that in 1914 the average "capitalist" family consumed £6 a week, and the average "Labour" family £3 a week. Let us now see what would happen if the ideal of the Social Democrats were fulfilled and absolute equality of consumption for all provided. The total income capable of distribution amounts to £1,558,000,000 for 45,000,000 people, an average of £35 per head. Under these circumstances the consumption of the present 6,000,000 capitalists would be £210,000,000, leaving £192,000,000\* for distribution among the others whose average consumption would thus be raised from £31 to £35 per head, an increase of about 13 per cent. We have seen, however, that the exchange, deprived of that support which our present foreign investments give us, would speedily decline, the revenues from these foreign investments being by far the largest items (nearly £200,000,000) of the class of invisible exports which affect the adverse balance of trade. If this country, therefore, maintained its present consumption of goods (and if it reduced it the experiment of Social Democracy would be a self-confessed failure), there would be a permanent loss on the balance of trade which could only be met by the export of gold. It is obvious that a total gold reserve of £150,000,000 would not go far in relieving an annual loss of 30 per cent. greater than itself.

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\* Professor Bowley, who follows a different line of calculation, puts this figure at no more than £133,000,000.

Incidentally the disappearance of the gold reserve would imply a currency of unsupported note issue. This of itself would raise prices, as any housewife comparing the value of the Treasury note with the old golden sovereign will agree; but the mischief would not finish there. We should be importing and consuming more than we exported and earned. There are only two escapes from this position, either consuming less (the necessity for which would drive the Socialists from office), or producing more, which, if there is any permanence in the present Trade Unions' attitude, would be equally unpopular. We should, as a fact, be living beyond our means. No doubt the attempt would be made to keep the danger out of sight for a time by raising loans, but this would only increase the evil, and, anyway, the interest would be prohibitive. This is only another way of saying that prices would rise to a terrific level. Prices, indeed, keep pace with foreign indebtedness. Our indebtedness to America stood at a very high level in 1861 in consequence of excessive importations of cotton and corn into this country. It may be remembered that after 1853 the balance of trade began to be adverse to this country, and that in the year 1861 the balance against us stood at £58,000,000, a record for that period. In sympathy with this the price of wheat soared, without any other apparent reason, from 51s. per quarter in 1859 to 60s. 11d. in 1861. This furnishes, on a small scale, a forerunner of the existing situation to-day, but if we are to pay, as is inevitable, for nationalisation by again experiencing the famine prices of 1861 and 1920, the game hardly seems worth the candle. Even the small indebtedness of 1861 brought about instantaneously a rise in prices of 20 per cent. The much higher indebtedness caused

by a cancellation of invisible exports would cause a much higher rise in prices in the future.

However, even if we admit that it would be no more, the case is proved, for 20 per cent. is enough to knock the bottom out of the equality theory. By equalising all incomes in this country to a dead level, the poorer classes might gain an increase in wages of 13 per cent. as a maximum. They would have to pay for this by a 20 per cent. rise in prices as a minimum, and thus be at least 7 per cent. worse off. Including the loss caused by the deduction of foreign earned income they would *as a minimum* lose one-fifth of their present wages.

The convinced Socialist who follows the foregoing argument will have, however, an answer to it that will satisfy himself and raise the triumphant applause of his followers. His answer would be that this is all "money" and "exchange value" for which Socialists will substitute "labour time" currency and "utility value."

It is mere verbiage and dialecticism. It is a thoroughly foolish and futile argument, but it is what Socialists do say when they are blundering in an angry blindfold sort of way through the mazes of world-trade. How Denmark or Russia or the United States would grapple with an order from this country for "ten minutes of butter" leaves a dark mystery in the mind. Probably the mystery would be quite as dark in theirs, if they did not leave the problem to be solved by the Hague Tribunal or the Weights and Measures Committee of the League of Nations. (To which, apparently, America would not belong.) Again, the process of exchange necessarily involves the establishment of exchange ratios. Exchange value is merely an easy way of expressing the extent of the desire a

number of people have for a particular article. To talk of the abolition of exchange value is to qualify for the degree of insanity afflicting the Banbury Socialist who assured his audience that the first act of the Socialist Ministry in Parliament would be to repeal the infamous " Law of Supply and Demand."

There is nothing to choose between nationalisation on a fairly large scale and Socialism in this matter. Quite apart from the fact that the former is but the prelude to the latter, it is quite unnecessary for the country to go " the whole hog " of Socialism in order to realise its own ruin. The strange and unprecedented spectacle of whole blocks of the stocks of this country being sold abroad at a constantly declining rate would be sufficient of itself to give the control of our industries and national finances into other than national hands. The result, as we have shown, must result in a continual decline in the value of those stocks, a forced necessity for ever-increasing loans, and a continually increasing rate of interest exacted for these loans.

This would lead inevitably to repudiation, national insolvency and a collapse of all credit. The adoption of a policy of nationalisation by this country would offer the first example in history of a country voluntarily adding to its foreign indebtedness without receiving any consideration whatever for its sacrifice of interests.

A fall in the rate of exchange is a disaster. It means the bill has to be met. It can be overcome by wise finance and sound administration. It can never be overcome except by the fostering of credit. The fall in the exchanges and the consequent high prices from which we are suffering to-day represent a temporary inconvenience. By nationalisation they can be converted into a permanent disaster.



## CHAPTER V

### THE PERSONAL EQUATION

IN discussions on State industry far too little stress is, as a rule, laid on the personal factor. There is in fact no such thing as collective management. The State does not control or manage anything ; it deposes its powers to an individual who exercises his faculties in his office. A campaign depends not on Parliament, but on the General commanding.

Management by Committees, Boards, or Corporations is notoriously either hesitating or rash and inefficient, unless there is among the assembly some dominating personality, who, by training, character and interest is fitted to exercise the powers of the Committee with their tacit approval. Under nationalisation, therefore, we must make up our minds to the fact that in the first place, and apart from all other considerations, success or failure depends on the persons selected to manage the nation's industries. The method by which the persons required are selected is therefore obviously a problem of the first importance.

It is quite easy to enter into the minds of those persons who, on behalf of organised labour, are clamouring for the nationalisation of the nation's industries, and it is a work of supreme interest and importance that the results of an inquiry into the psychology of the whole movement should be set before the public without hesitation or concealment.

It is unfortunate that it is impossible to do this without referring to certain persons by name. The whole movement against which we are contending derives its whole force from the machinations of a comparatively small number of men. Socialist "leaders" of course there are by the hundred, but most of these are persons of small originality and magnetism. Deprived of their few creative thinkers, the whole movement would be mentally bankrupt. Socialism indeed in its own politics holds out a shining example of the inherent truthfulness of the principles of individualism.

A certain Mr. Robert Smillie is the perpetual President of the Miners' Federation of the United Kingdom. He is, it is perhaps needless to mention, an enthusiastic Socialist and a man of considerable force of character. He may have been, we are quite prepared to admit, before he attained the leading position in this great Trade Union, a diligent servant in various subordinate capacities. Judging from his public utterances, however, Mr. Smillie is not a man of philosophic education, at all events as judged from one rather amusing incident in his strenuous career.

As Mr. Smillie may very fairly claim to be a public man, wielding very powerful influence, this is deplorable. He is in all probability a very honest and sincere agitator.

The incident to which allusion has been made occurred at the coal investigation in 1919, generally known as the Sankey Commission. Mr. Smillie went so far as to requisition the appearance before this tribunal of a considerable number of dukes, landowners, royalty owners and colliery proprietors, so that he might inquire into the validity of their titles. It was of course quite the wrong

occasion for such an investigation, but as the presiding judge allowed the matter to proceed, further comment is needless. Probably the judge was quite right. Had he disallowed it, we can easily imagine Mr. Smillie, or at least some of his followers, tearing frenzy to rags in their impassioned oratory in condemnation of a capitalist judge and capitalist commission refusing to admit a question of such importance. We should, in half a dozen Labour weeklies and on a hundred platforms for the next thirty years or so have had that old bogey, "the capitalist conspiracy of silence," trotted out *ad nauseam* for the edification of the masses. Mr. Justice Sankey, however, gave Mr. Smillie his chance, and allowed him to summon and cross-examine various landowners as to their titles, a matter which not a single member of the Commission, with the exception of the Chairman, was competent to decide.

It is a very great pity that very poor use was made of this extraordinary opportunity. The advocates of private enterprise, with the possible exception of the Duke of Northumberland, made a wretched show, and all said the wrong things. Mr. Smillie had delivered himself into their hands, and they let him go. With an unanswerable case, they very nearly threw it away by bad advocacy, and this was on a par with their conduct throughout the whole inquiry. At the inquiry the coal-owners throughout said the wrong things and the miners and Socialists didn't know what they were talking about. The whole affair was a pitiable exhibition, and left everything just as it found it.

Of course what the coal-owners should have said is something like the following :—

"What I have is my property. I have deeds of

title for some of it. In some cases the deeds are lost. Deeds do get lost in long periods of time through fire, civil war, and other accidents. I can show a clear prescriptive right to what I have where I can't produce the deeds. Can the public show title-deeds for their property in a right of way? You know they can't, and if prescription operates against a landowner, it ought also to operate in his favour."

Nobody said this. Nobody said anything which the ordinary plain man in the street could get his teeth into, and yet this was what the Commission was appointed for—to give the public an opportunity of weighing for themselves the chief arguments on both sides. The public now has an unsatisfactory idea that both sides were lying. Some of the witnesses certainly were.

Mr. Smillie himself, however, in his demand for title-deeds and his *sub-pœna* of the "Dukes" showed us one thing of deep interest. He exposed the small extent of the reading, deemed necessary for public work to-day, the superficial character of the arguments most popular with advanced labour, the sources of his information and the depth of his prejudice. As he is, we are quite prepared to believe, one of the most popular and powerful members of the nationalisation *junta*, this is information of which good use should be made.

The idea that landowners have no real title in law to the land they call their own is a very old argument of the Socialists. They take the attitude that the land was stolen, and that in most cases its present owners cannot or dare not disclose how they came by it. They have never heard of, or ignore, the vast and complicated transactions that even during the last hundred years have been built up on

the credit of the land, and to suggest that a sixty, or even forty years' title is immoral and valueless is to disclose a lamentable ignorance of the world as it is. Building plots, mortgages, charities, banks' overdrafts, estate duty, commercial transactions of all sorts have been raised into an edifice on the existing land laws, and for Mr. Smillie or anyone else to come and kick the whole edifice over sheerly for a personal belief and the gratification of a fad, would be the most ridiculous and most fatal instance of demagoguery in history.

The amendment of law he impliedly suggests, making all titles valueless unless they could be proved by documentary evidence, would cause ten times more damage in hard cash, by the total collapse of credit, to the miners themselves than the amount of the whole capital value of the mining royalties to-day. Mr. Smillie can never have gone into the question. He has appropriated the idea from some penny Socialist pamphlet, and really thinks it a just and fair suggestion. The incident does disclose the besetting failing of the Socialist mind. It always seeks for the absolute. It believes that in every case, things are ruled by definite factors. The Socialists desire therefore to establish a scheme of society in which everything shall be clear-cut, analysed and defined. They complain of our muddle of civilisation, which they desire to straighten out.

They are setting themselves a hopeless task. Nothing natural, neither society or anything else can be analysed and controlled on these severely limited ideas. Growth represents the application of certain laws of evolution to an infinite number of varied identities. All we can do, in adjusting inequalities, or directing a line of development, is

to judge by probabilities, forming conceptions which vary between moral certainties and guesses. It is this fact which makes it incumbent on all reformers to go forward with caution lest, in attempting to direct the growth of the plant, they kill it altogether. The unskilful fruit-tree pruner before now has removed the fruit-bearing twigs in error. To the unaccustomed eye, they look more barren than the infertile.

If one can venture a little further into the average Labour-leader's mind, one would, it is to be feared, find it not entirely free from traces of megalomania. Every one of us, when he embarks on a certain course of action, if he is not utterly inconsequent, pictures to himself some sort of a day-dream of the future. What is Mr. Demos's day-dream? Ultimately, no doubt, in the back-ground, there lies some picturesque and inaccessible social commonwealth of the type pictured in "Looking backward" and "Equality," with Mr. Demos (1) acting as cicerone to a visitor from another world; (2) reposing under a monument of marble before which the visitor from the other planet muses; (3) being seen in the exercise of power administering the affairs of this world to the admiration of the visitor from the other planet. This our practical Mr. Smillie dismisses. He has a nearer and more practical ideal than that. This is probably some development of the guild idea, and will take some such form as the Miners' Federation, having full ownership and control of the mines, administering them according to their own discretion as trustees for the State, or, in the alternative, paying to the State some rent or service for the monopoly. In this curious phantasm naturally the chief administrator of the mines would be Mr. Smillie, or some



person occupying Mr. Smillie's present office. We do justice to that gentleman himself by giving him full credit for not pursuing his present crusade out of any other motive than conscientious belief in its advantages. Certainly he would deny and deny probably with truth, that he pursued his course out of any conscious lust of power. That might come later. It came to Lenin the philosopher. With the simple, direct type of mind, undiluted with real scholarship, lust of power does come. It is a disease that feeds upon itself, as does all lust.

This at once suggests the conviction that in the event of nationalisation the persons appointed to manage the industries of the nation would be selected for other reasons than their competence in the particular work for which they were selected. Because Mr. Smillie happens to be, and we have no reason to doubt the fact, an able and energetic Trade Union official, it does not follow that he would therefore be competent to conduct the intricate and subtle processes of trade and finance, any more than that a check-weighman could necessarily, because he was a good check-weighman, make the best of a bargain about freights with a shipping agent. But in the event of popular selection (such, to put it in its brightest aspect, is the faith of humanity in those it knows), this is just the type of official who would be selected.

It is desirable, however, to state this argument in more general terms and to examine it more from the philosophical standpoint. It has been more than once suggested in these pages that we can very often solve an economic problem by applying to it the principles of natural philosophy. Economic science, looked at in the broadest way, is but the rule of life applied to a particular branch of

animated nature. The application is more varied and involved, but the principle remains the same, and it is only our imperfect realisation of the multifarious factors and variations which prevents our dealing with many economic problems in a much simpler and more logical way than we do. It must again be repeated, and to adopt a metaphor somewhat removed from natural science, that the State is a machine. If we are well-governed, if our constitution, political as well as economic, is sound, it is a self-acting machine. That machine is a bad one which requires constant tinkering and adjustment. The State-machine ought to be fool-proof and certainly and automatically return to the principles on which it was first founded. "A perfectly stable aeroplane," says the definition, "is a plane which returns to level flight when the hand of the pilot is removed from the controls." That illustration conveys the idea.

Now this automatic principle should run through every phase of the active State-life. The constitution, whether by law or precedent, should be so framed that if things are left alone, the best results ensue. That was, it may be inferred, the root principle of Stoicism, the real lost "law of Nature." Consequently, when natural laws, and particularly biological laws, are more or less fully comprehended, care should be taken in devising expedients for the successful prosecution of the economic and political objects of the State, that these expedients should be so framed that they are helped and not hindered by the operation of natural laws. Natural laws are force. Nature herself is energy personified. That latent energy should be utilised. The artificial state defies or ignores it. The self-acting state avails itself of the force. Illustrating this from

mechanism, the artificial state is like a hand-loom, the self-acting state a power-frame. To satisfy all disputants, it may be as well here to define what we hold to be the true objects of the State. Volumes might be written, but a few words from Aristotle will suffice:—"A State is first founded that men may live, but continued that they may live happily."

Now one of the best established of all natural laws is that relating to what is called the survival of the fittest. Stated simply, it is as follows:—"That survives which is fittest to the environment in which it exists." We must necessarily apply this rule universally. Now in political science we have three factors to deal with. We have the law just stated, which we cannot vary. We have the ideal we are aiming for—"the fittest." This is equally an absolute factor. The third is the environment. This we can alter. The right environment, by operation of law, will produce the ideal.

Now the Socialist and the political philanthropist know the truth of the last paragraph just as clearly as any of us; indeed, it is rarely absent from their lips, and on the analogy of the devil quoting scripture, they work it very hard indeed, and just as the devil did, with a very imperfect application. This is not perhaps immediately relevant to our inquiry, but it will be as well to clear the air by removing at once from the arena a very favourite Socialist argument.

The Socialist maintains that the poverty and squalor which a generation ago were noticeable in many of our industrial districts and which have not by any means disappeared even to-day, were a direct cause of the production of an imperfect type of citizen. This is a hopeless confusion of the abstract, or mental, and the physical, and is not by

any means true. In the physical environment of the slums indeed, that type of human physical being survived which was best fitted to survive its unhealthy physical environment, but the abstract environment was quite another matter. The abstract environment of Hoxton, for instance, is not Hoxton. It is London. Wherever ideas are formulated, they penetrate. The physical environment is local. A physical type best suited to it lives best. The commercial environment is also local. But the mental environment is not local, and logically and also we believe truly, physical surroundings have little influence on it. There is in this argument of the Socialists a lack of sequence which condemns it at once. If we apply the law of survival accurately, we must apply it where all the terms are of the same quality. This compels us to apply it to each particular case as it arises, to physical life, to commercial life, to administrative life, or to any other of the innumerable aspects of modern politico-economic problems. Any attempt to do otherwise will lead to fallacies.

The problem we are immediately concerned with here is administrative. The means whereby we live are our industries. It is not only essential that they shall be well managed, but in view of world competition it is essential that they shall be managed in the best manner possible. We have nothing to give away. The selection of managers is therefore the problem before us, and the only certain way in which we can be satisfied that the most efficient manager possible has been selected, is in the open competition of private enterprise. The manner of selection under Government control might conceivably occasionally result in the selection of a competent official, but the only three ways

open to the State—examination, nomination, or election by popular vote—are imperfect. None of these three methods gives any proof at all that the person selected has any fitness for the post to which he is appointed. The State official, too, even if incompetent, is protected by any number of excuses against removal from office. What is everybody's business is nobody's business, and in the absence of a notorious scandal, he is usually pretty well fixed in his office chair. Political intrigue, favouritism, old services and so forth, may be all in his favour. The results of his incompetence are not immediately evident. He controls the sources of information and hoodwinks his chief. The mistakes of one department may be laid on the shoulders of another department. The old official round-game is played in which the departments play against the public and always win, because they alter the rules, as the game proceeds, to suit themselves.

In the selection of a manager under private enterprise, however, none of these objections apply. He is either owner himself, of the capital employed, or has a substantial interest in it, or he is himself employed by a person or group of persons whose immediate interests would be affected where he is incompetent. In the latter case, opinion is far more sensitive as to the capabilities of the manager than it could possibly be in the case of a State Department, much of the work of which is a complete mystery to the general public, its real superiors. In the former case the responsible superiors keep a critical watch upon the services of the man they employ.

On general principles, however, the law of the survival of the fittest does operate to produce efficiency in the case of private enterprise. The

later developments of industry have made necessary the development of a factor of production generally known as the "*entrepreneur*." It is only the great industries which are, at present, threatened with nationalisation. It is only in the great industries that the action of the *entrepreneur* is at once apparent and necessary. He is sometimes called "the captain of industry," a very much better name than the other. It is even now quite usual for people to believe that capital and labour are together sufficient in production, the former being the employer and the latter the employed. This is by no means true to-day. In the modern development of industry, when the forms of production are complicated and infinitely varied, when there are enormous variations of quality and skill among those employed as labourers, and where the many persons contributing to the result, each perhaps understanding his own small section only imperfectly, does not at all understand how the result to which all are striving is brought about, where the raw material is brought from the other side of the world, and the product of industry is distributed over other continents, where the consumer, or even his numbers, are unknown to the producer, a third factor to production is required—the great captain of industry. In a State like England, where an enormous population exists on an area totally unable to feed it, where, further, the bulk of the population is industrial in type and totally unskilled in agriculture or those simple arts which make for existence and comfort in a primitive life, where the community must live by international exchange, or perish, such a leader is even more essential than elsewhere.

The duties of the captain of industry are vitally



important and difficult. The ability they require is rare.

"It would," says Walker, "be difficult to prove the importance of the *entrepreneur's* function in industry just as it would be difficult by argument to establish in the mind of our objector a true conception of the functions of the general in war. Those who know nothing about warfare might believe that campaigns could be conducted on the principle of popular rights and universal suffrage. Why not? There is the material of war (capital) in abundance; here are the soldiers (labourers) who, if any fighting is to be done, will have to do the whole of it; why should not these soldiers take their guns and do their work? In much the same way those who know little practically about production are easily persuaded that the troublesome and expensive 'captain of industry' may be dispensed with and his place occupied by a committee or mass meeting." The functions of a general in war are better comprehended now after our experience of Marshal Foch in the later years of the war. We know now that a good general is cheap at any price, and a bad one dear if he works for nothing. And the same thing applies to the employer; for as Walker argues, what is true of the general is true of him.

We may take it therefore that the necessity for the captain of industry is proved. The question remains as to by what method he is to be appointed or selected. Let us in the first instance examine the methods open to a State which desires to appoint a departmental chief (the State's equivalent for a captain of industry in its own service). The three methods open to them have already been indicated. At the outset, however, we must admit that their field of selection is limited, just as the

remuneration they would have to offer would be limited, and even assuming that they secured a competent manager, and paid him his full value to begin with, they would probably fail to keep him. Can we imagine a democratic industrial republic, for instance, and still less a nation such as our own, with three or four of its principal industries nationalised, paying such a salary as, say, £50,000 a year to a Departmental Chief, or a Minister of Transport? The thing is unbelievable. Even if at the initiation of the enterprise such a salary was authorised, it certainly does not follow either that it would be given to the right man, that its recipient would earn it, or that he would stay long in his office. Jealousy of such high pay would soon make its appearance, and the high-salaried official would sooner or later disappear, being followed by others, each successively less well paid than his predecessor, and each probably less competent. Sooner or later, too, the old agitation would recommence and a populace would murmur that having got rid of the capitalists who were on the backs of the workers, they had merely assumed the burden of a highly paid bureaucracy. Further than this, no man can conduct business so well on behalf of others as he can for himself. He is when acting for others over-weighted with responsibility, fearing to appear as the careless steward, or the very antithesis of this character, and careless whether the public loses or not, provided his salary is paid. His attitude of mind from the very beginning is that of an official and not of a man of business. He has not the bold and cheerful courage of the man who knows that what he loses is his own loss and what he gains is his own gain, with its consequent alertness and audacity, caution and vision. Instead of this he is a variant

between fear and sloth, routine and *laissez-faire*. He might be perfectly honest, well-intentioned, clever and well informed, but no official is ever a genius in his office—or rarely. And genius is what we want. Without it the product would remain stationary, there would be no advance. Simply for us to do well is not enough. The Nationalisers must prove that we could do better. The onus of proof is on them, and all the evidence we have up to date proves the opposite of their conclusions.

The selection of the manager of a business by popular election seems to be too ludicrous to be seriously considered, but the “control” seriously demanded in this country for the employees in each nationalised concern brings the matter within the sphere of possible politics. When such a “moderate” labour leader as Mr. J. H. Thomas, M.P., oratorically admits that that is the intention of the railway men it is quite time for patriotic and reasonably well-informed people to open their eyes to the fact that “moderate” labour is but the unsubstantial screen behind which the Bolsheviks are advancing. Whether we are confronted with Nationalisation, Socialism, or Bolshevism we soon realise this. Just as “all claret would be port if it could,” all labour movements for the present are tending towards the idealistic side of Bolshevism. Revolutions are made by philanthropic dreamers in the first instance, and in the atmosphere of unreality thus created, a handful of malignants seize their opportunity and inflict alike upon friend and upon foe, upon aristocrat, bourgeois, artisan and the decent poor, the horrors of that bloody cataclysm of civil war. If a digression may be permitted here, it may be urged that no idealistic state, no concentration in the hands of a Government of economic

as well as political power, no revolutionary tribunal or code ever yet did or ever can represent a permanent phase of human society. The revolution might come. The victory of the "Reds." might be achieved, but it would not be a lasting victory. In from three to six years disintegration, at work from the first upheaval, would have completed its collapse, and society would return to individualism as surely as the day succeeds the night. Those of us who oppose these collectivist schemes do so in this firm conviction. Our fear is not that the principles of centralised tyranny urged by Socialists will survive, for survive they cannot, but that in their temporary adoption by this or any other State, one sequence of events would follow. Omitting all thoughts of the bloody revolution (in which case the process would be even quicker) so enthusiastically promised us by the grosser extremists, and assuming a peaceful revolution achieved by Parliamentary methods, the course of the disease would be as follows :—

*First Period* (six months to one year) : A period of idealism. Vast schemes undertaken by the Government. Hours of labour reduced. Wages doubled. Unemployment on full pay. Ruinous taxation.

*Second Period* (one year to three years) : Falling exchange. Depletion of Treasury reserves. Taxation again raised, but taxes bringing in less than formerly. Declining revenue. Famine prices. Distribution in kind in lieu of money wage. Reduced imports. Strict rationing. Deficient standard of living. Numerous bankruptcies.

*Third Period* (one year to two years) : Reactionary movement by all classes. Sale of extravagant Government enterprises for what they would fetch. Overturn of the Labour Government.

*Fourth Period*: Very slow recovery and the ultimate establishment of 1914 conditions.

Net result of the whole experiment: All results of the war thrown away. Prices up. Employment scarce. Countless people ruined, reduced population, and the nation permanently divided into two camps.

To return to the Socialist scheme for the administration of industry. Unquestionably out of the several schemes suggested, popular election is the most favoured—it is the most Bolshevik. The German Spartacists whose leaders are hand and glove with the Russian Bolsheviks, and who probably instructed these latter in their details of administration, have at all events certain peculiarly German merits. They reduce everything to definite heads properly sub-divided. Their scheme for the administration of industry is as follows:—

(1) Universal repudiation of all State debts and confiscation of all large and medium-sized properties.

(2) Nationalisation of all banks, mines and industrial and commercial establishments, and all means of transport and communication.

(3) Election of Administrative Councils in all enterprises, such Councils to regulate the internal affairs of the enterprises in agreement with the workers' councils, regulate the condition of labour, control production, and, finally, take over the administration of the enterprise.

Lest it should be feared that these proposals might create a new heaven and a new earth in which everybody was satisfied, we must add a fourth paragraph (numbered " 8 " in the original manifesto):

(4) Establishment of a Central Strike Committee, which, in constant co-operation with the Industrial Councils, shall secure, for the strike movement throughout the country, uniform administration, Socialist direction and most effective support by the political power of the Workers' and Soldiers' Councils.

Surely comment is superfluous! The Spartacus Union admit that even where the workpeople elect their own favourites as works' managers, where the workpeople themselves own the factories in which they are working and where the popularly elected works' manager is to be supervised by a committee of shop stewards to see that he does not oppress those helpless creatures who have elected him, and who could sack him, presumably, on a week's notice, even then a strike may be necessary, and the sacred right to strike must be preserved!

The only conclusion one can come to—a conclusion already foreshadowed by the turgid, involved and would-be intellectual verbiage of every single Socialist writer—is that these people are mad. They do not want prosperity, they do not want peace, they do not want settlement of grievances, good citizenship and stability. They hate their employers, they hate their contented fellow-workmen, they hate their country. They are just out for trouble. The real revolutionary type, with its "divine discontent," is a worse nuisance than the most greedy capitalist, than the most vulgar and ostentatious profiteer.

As for the hogwash which passes current for argument on Socialist platforms, that the "workers," being masters of themselves and working for themselves and owners of the means of production (under the circumstances indicated above), will work all the better and more honestly, one can only dismiss it, whether one is employer or employed, with a smile of contempt for what it is—hogwash or eyewash. It is immaterial.

The second means of selection available is that of nomination, where the Government or some subordinate but properly constituted authority with



a vacancy to fill nominates a presumably fit and proper person to fill it. If anything, it is better than popular election, but it is not perfect. It is not democratic, and it does open the way to corruption, favouritism and suspicion. All these objections would pass did the method hold out any definite certainty of efficiency. It does nothing of the kind. In common experience the method by nomination is one of the worst which can be adopted if one of the objects desired (as it must be in a high commercial appointment) is to allay unrest and create confidence. Accusations are so easily made and suspicion created, and favouritism could be so easily shown, that even if the appointee were the best selection possible, any selection by this means would be the excuse for unsatisfied and murmuring discontent. The powers exercised say, by the chief buyer for the British Government's cotton-spinning mills, with something like 60,000,000 spindles to provide for, would be a post worth having if graft were the object. Most of his buying would be done outside the Empire. He would buy something like half the entire cotton crop of the world—and a smart man could make quite a lot of money—several millions sterling a year—without anyone, except the planters who shared with him, knowing anything about it. Corruption of this sort would be quite justifiable under a Socialised Government. A Government which takes as the first word in its programme expropriation, and out of principle closes every avenue of success to the diligent, shrewd and active, has only itself to thank if its own chief officials take illegitimate means of helping themselves. As a fact, the restless energy of the more independent spirits under a repressive Government always seeks

to destroy its tyrant, and the revolt of the acquisitive carried out secretly, shrewdly and with greater knowledge than that of those whom they were supposed to serve, would of itself—quite apart from any of the other weaknesses we have detailed—bring any Socialist Government to its knees very quickly.

It must not be forgotten, of course, that several of the higher officials—as, for instance, the High Court judges in this country—receive their position by nomination. The case is very different. In the first place, a High Court judge can, by precedent, only be appointed from a very limited class, any one of whom would probably be as efficient. His weakness, if weakness he had, would so soon be exposed in public that no Government, however corrupt, dare to-day venture to brave it. He has long tradition behind him, and is a member of that profession which, above all others, in this or any other country, has the most distinguished record of purity and honourable pride. Besides, he is generally a man of brilliant experience and mature years; most frequently of an established fortune earned in his profession. He has fewer inducements—if one may without dishonour even conjecture such a thing—to seek self-advantage than a younger man with irresponsible power and unlimited opportunities for graft in international commerce. If we shut out the young man from the higher positions in trade and industry, we should be right also to abandon all hope of increased national wealth to distribute among our population.

The third method employed by Governments in selecting officials is by competitive examination. This method it is which results in a permanent civil service or bureaucracy. There seems to be

no relation at all between the test imposed and the work which the applicant is to carry out. The academic mind is not the business mind and though a class of a high standard of intellect could be selected by this means, if due care were employed, quite capable of filling the subordinate ranks in a national or any other enterprise, it does not follow that an *entrepreneur* of the first rank could be chosen. It simply would not tell us anything at all. What is aimed at is the selection of a business man capable of running a huge industry—a man of Napoleonic vision and imagination. It is a rare type, and is only found by experiment, but the trade of no nation in the modern world can prosper without it. The idea of selecting a Rockefeller, a Furniss, or a Rhondda by competitive examination is ridiculous.

We see thus that by no known artificial test can any means be found of selecting organising ability capable of conducting business on the grand scale. Even politicians of Cabinet rank are at sea in the world of business in most cases ; at their best they have to rely and depend on advice, given, it is true, freely and honestly by the leaders of the commercial community. Then, too, Cabinet Ministers have only arrived at their eminence after bitter competition.

These *entrepreneurs* are fortunate men. To them come the great rewards of the material world. They are above the petty worries and anxieties of the vast bulk of their fellow citizens, but what is their greatest good fortune is not their vast financial power, but their vast intellectual power. Any man born with that can consider himself blessed above other men. There is no sense, and, indeed, the attitude involves a good deal of folly and

unnecessary unhappiness, in the current habit of envying these men and attempting to pull them down. Much of the economic unrest at the present time is caused by this unworthy feeling. Men may bear their own troubles with patience, dignity and courage and without at the same time railing at those above them. There is a certain section of opinion—and not a small one—which would out of sheer malignance prefer to take the property of our 148 richest men and throw it into the sea, rather than leave them in possession of it. It is a foolish state of mind. A country in which there are a good many millionaires and in which it is a common occurrence to see men achieve great wealth readily is in a double sense a fortunate country. It is a country in which ability of the first rank is not infrequent, and in which prosperity for all is booming. A self-made millionaire, except in very unusual circumstances, is not a cause of poverty. He is an indication of prosperity.

The law of the survival of the fittest must be kept in mind in its fullest expression. It is not the absolute fittest that results, but the fittest according to its environment. If we apply "environment" to the three methods of Socialist selection, we get a very different result than if this important qualification is omitted. The environment of appointment by nomination is primarily one of political intrigue, family influence, favouritism and intellectual toadyism. The latter is perhaps a strong term, but no other word will express the meaning. Thus, if A is a prominent statesman, with the nomination to an important office in his gift, and B is a man who wants that office, there is a tendency for him to conceal his own views and principles on questions of policy if they happen

to differ from A's. This is in plain truth not honest, for the responsible head of a business ought to act according to his own principles and not on those forced upon him by the circumstances of his office. In the higher ranks of the business world it is personality that counts, for success, and a surrender of ideals and methods merely because that surrender is essential to obtaining the office, is a surrender of personality. The environment here is against the selection of the right man.

With popular election the case is still worse. Here the environment is still more unfavourable. The man chosen would be a master of intrigue, not a master of his subject. The skilful electioneer, the vote-catcher, the popularity hunter, is the only type likely to survive if this method is taken.

In the third way the selection is based, in the first instance, upon examination. Here the environment is one of scholarship and not of action.

In only one method of selection do we find the really competent man promptly and almost automatically selected, and that is when the competition which he has to fight in order to reach the office is of the same nature as the difficulties he will have to overcome when he is in it, and that is in private enterprise. In the fierce competition of modern business only the strong and capable survive, and hence it comes about that world production and world distribution are to-day organised and controlled by the men most capable to organise and control them. The world civilisation of to-day presents higher advantages and different problems than the primitive civilisation of times past, and few of those who have criticised it have yet realised the exact nature of these problems and of those advantages. Indeed it is curious to realise that

the two objects which have called forth the bitterest hatred of the popular agitator—international finance and the organised trust—are two of the principal factors in the solution of the difficulties of maintaining a whole continent without risk of famine. It is not here proposed to digress into the question of international Socialism beyond the casual comment that with men whose instincts are ordinarily human it represents an ideal wholly artificial. One of the strongest instincts implanted in us is that of nationality, and one of the most informing aspects of the Great War was the difficulty of persuading the various nations to throw to one side their absorbing and immediate self-interests and unite for the common good. The instant the war concluded divergence appeared, and while under the pressure of a common danger Italy and Serbia, for instance, held together, now that danger is removed, the old rivalry instantly appears. A World State, therefore, with all tariff walls thrown down, with absolute free interplay between State and State, with the resolution of all inter-State boundaries into a mere dividing line of the shadowy consistency of that dividing, say, England and Scotland, is an unrealisable dream, quite apart from the fact that from the point of view of human progress it is an eminently undesirable one. Under these circumstances, international production and distribution being one of the essentials of our existence, the organisation of international trade comes to our aid. It is the link between State and State. It gives all the advantages of closer union with none of the defects of monotonous unity. National types may develop and persist, and yet at the same time an exchange of material benefit may take place.



Let us examine the results of commercial rivalry a little more theoretically. We have already stated the problem, which falls into two parts: (a) how to organise production and distribution on the mass scale; (b) how to find the man to carry out the organisation. We have seen that such a man cannot be found by any human (*i.e.*, intentional) tests, which must necessarily be partial, and give no certain guarantee that the right man would be found. We have also seen that the natural method (that of competition under private enterprise) does find the right man. Now, what are the results, under Socialism, if, as is very probable, we put the wrong man at the head of a huge branch of Government enterprise? In the first instance, there would be huge waste. He would be continually doing the wrong things; he would try to learn by experiment. His experience would be at the cost of the public. In the fiercely contested bargains of international trade, he would get the worst of it. This would mean that the people for whom he was acting would have to pay more goods for the goods they imported, *i.e.*, would have to pay more of their labour than they received of the labour of other people. There would be grave probability of his estimates of production and distribution being wrong, in which case his people would go short, either (a) because they had to export some of the things they had produced for their own use or (b) to meet the exchange in order to get things produced by other people which they required still more, or (c) because he had wrongly estimated a world demand and could not export enough home goods produced for export. Again, his costing of production, because he was constantly under the inspiration of producing for

use and not for profit, would be necessarily inaccurate and slipshod.

All these things would have to be paid for ; they would be paid for in labour, and instead (if we may borrow a Socialist expression) of the surplus value of labour production being expended in profit for the capitalist, it would be expended, and more of it would be expended in making good the waste caused by defects of organisation, estimation and control. Labour, as a fact, would be worse off. We can never get something for nothing. Everything must be paid for in the end, and the profits of the capitalist and *entrepreneur* are cheaper than the waste of Socialist organisation, and should be paid for with a good grace as services rendered.

Let the Socialist put it to himself this way : " I am not paying profits to Mr. X. the millionaire. He gets them, it is true, but that doesn't affect me. I am really paying to the capitalist machine, which, after all, has wrought a wonderful work in the world. In the end, let us hope, the upkeep of the machine will be less costly proportionately."

If the organiser under the State made mistakes—as he would be bound to do—they would be worse mistakes than are now made. Capitalists or groups of capitalists do make mistakes. They overtrade, they speculate unduly, they bring about a commercial crisis as a result of what is called overproduction. In the latter event—which is not overproduction at all really, but a miscalculation of the foreign market—it is quite certain that the capitalist suffers for his error ; it is almost equally certain that as a consequence of the resulting unemployment, the labourer suffers too. But as these at the worst are partial errors, the resulting unhappiness and deprivation are partial too. In

other words, the results of the error are temporary, and after a short interval they are also partial in extent—that is, they do not extend throughout a whole nation or throughout even a whole trade. It is true that one or a group of capitalists go under, but the other capitalists remain, and shoulder the burden, and, ultimately, after a more or less brief interval, things resume their course. Further, it must be noted that these commercial crises are less frequent and less severe than they were. Business as a whole is less speculative, better informed, with more powerful reserves behind it. Here we see again the capitalist acting in that office which was insisted on some chapters back, as the Insurer of the State. Further, too, a capitalist who is incompetent pays the penalty of his mistakes before he has had much opportunity of going very far wrong. He is killed off while he is young, so to speak.

But in Socialist production the results of an error would be far more serious. In the first place, there would be the certainty that a mistake made in the Central Administration would react right through the country. All the eggs would be in one basket, and in the next place a mistake would not be found out until it was too late, for the reason that the interests of those bound up with the monopoly, whether shareholders, employees, citizens or consumers, are risked, as it were, on one throw of the dice. With a multitude of firms and companies carrying on business we get experiments in trade and production made under circumstances attended with the least risk to the community. Some capitalists are more venturesome than others. We can call these the pioneer firms. Now, a pioneer firm, one of a hundred transacting the same

business, makes a venture, either in developing a new line of trade, exploiting a new discovery, or conducting its business on a new basis of organisation.

If the venture comes off, the pioneer firm makes large profits; all the other firms imitate it, and their production and consequently the distribution of wealth are advanced. In the other alternative, suppose the pioneer firm makes a loss, the other firms refuse to risk their capital and business stability on what is obviously a mistaken scheme, or probably see why the pioneer came to grief, with the result that they adopt his progressive ideas under wiser conditions. The cumbrous organisation of State production cannot conduct experiments on these lines. There would be division and divided councils in the office, and an absence of that bold and enterprising spirit that made possible the first experiment.

It is a favourite accusation by Socialists against the capitalist system that crises are an inevitable outcome of it, and are subject to a certain periodicity—every seven years is the usual allegation. Here again their causation is at fault. I can find no evidence in support of the Socialist view. Jevons\* points out that the period is nearly eleven years. It has nothing to do with the capitalist system, as a system, however, but arises purely from human mentality, just as the periodicity of great wars does. These last occur with fair regularity about every forty years—say every generation and a half, which is what one would expect. I personally believe, however, that the alleged periodicity of credit cycles is purely coincidence. One cannot fix

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\* "Investigations in Currency and Finance," p. 208.

a general economic law on such a confirmation as five crises in fifty years. The dates given by Jevons are 1825, 1836-9, 1847, 1857, 1866 and 1879.

A ten per cent. variation in time is too great to permit us to argue periodicity from such a series. The mentality causing a crisis might originate in one of a hundred factors—wars, weather, harvests, Labour unrest, epidemics, gold-discovery, new inventions. The Socialists attribute a crisis to undigested production, but this is putting the cart before the horse. An overstocked market is merely a result of a failure to consume, for there is no physical limit in a world market to power of consumption, and the failure to consume comes as a result of the unemployment in its turn resulting from financial stringency. War, failure of harvest, disease and certainly financial stringency, as I have shown, would be just as much a peril to a Socialist administration as to a capitalist one. The results would be worse, and the apparent cause expressed in different language, but there would be no other difference.

## CHAPTER VI

### BUREAUCRACY

SOMETHING has been said in the preceding chapters in the way of objection to public ownership of land and capital, and it is now time to summarise and analyse these arguments. At the outset it must be definitely insisted that there are only two possible alternatives of management, private capitalism and bureaucracy. Any other scheme that may be mooted must resolve itself into one or other of these alternatives. It will either do that or relapse into anarchy. Socialists, like all other people, frequently rail at the slowness, cruelty, and invariable stupidity of bureaucratic management. Under their system, they are fond of proclaiming, there will be neither capitalists nor bureaucrats. In arguing thus, they fail in either clarity of thought or in sincerity. Their usual attitude is that they would tolerate State Socialism until it gave way to something better. What that something better is, they have so far failed completely to describe.

Reading recent events and agitations impartially one would conclude that their present opinions rather concentrate upon what is called the Soviet form of government. It is only another name for a fairly hackneyed scheme. There is little to choose, in actual fact, between Syndicalism, Guild Socialism, Industrial Unionism and "Workers'



Councils." One cannot waste time in following the hazy imaginings which constitute the Socialist belief, it is only possible to concentrate on the meaning of their creed by translating their acts into words. "By their works ye shall know them." It has been pointed out that in its results, if the paradox may be pardoned, Socialism is a strictly individualist creed. Its professors slavishly follow for a short time some one god. They take their notions second-hand from him and worship with a credulity and an absorption for the moment worthy of a West African's Voodoo, the notoriety who, for the moment, has succeeded in squatting on the altar of their fetish-house. Him they worship until a new god arrives. At present their deity is Nicolas Lenin.

Under these circumstances it will be of advantage to investigate this person's views on the organisation of the State under Communism. He divides what he is pleased to call the progressive development of society into periods :

1. Democracy is one of the varieties of the State. It implies equality and results in the rallying of the proletariat as a revolutionary class against capitalism ; and "wipes off the face of the earth the capitalist Government machine." even the republican variety : the standing Army, Police and Bureaucracy.

2. Following this comes a "State Machinery in the shape of armed masses of the working-class, who immediately compel the former capitalists, under the supervision of armed guards, to carry on the necessary book-keeping and control." All that is necessary in production is to "watch, record, and issue receipts." There will then be in the whole of Society one office and one factory, with equal

work and equal pay. Factory discipline will extend to the whole of society.

3. From this moment the need for any Government at all will vanish. The picture drawn of this state of society is outrageous :

" When all, or be it even only the greater part of society, have learnt how to govern the State, have taken this business into their own hands, have established a control over the insignificant minority of capitalists, over the gentry with capitalist leanings, and workers thoroughly demoralised by capitalism—from this moment the need for any government begins to vanish. The more complete the Democracy, the nearer the moment when it ceases to be necessary. The more democratic the ' State ' consisting of armed workers, which is ' no longer really a State in the ordinary sense of the term,' the more rapidly does every form of the State begin to decay. For when all have learned to manage, and really do manage, socialised production, when all really do keep account and control of the idlers, gentlefolk, swindlers, and suchlike ' guardians of capitalist traditions,' the escape from such general registration and control will inevitably become so increasingly difficult, so much the exception, and will probably be accompanied by such swift and severe punishment (for the armed workers are very practical people, not sentimental intellectuals, and they will scarcely allow anyone to trifle with them), that very soon the *necessity* of observing the simple, fundamental rules of any kind of social life will become a habit. The door will then be wide open for the transition from the first phase of Communist society to its second higher phase, and along with it to the complete withering away of the State."\*

Socialists always tell us the capitalists are a small minority. It seems rather a pity that this small minority should have to keep all the others in idleness as " armed workers."

Apparently under these circumstances the

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\* " The State and Revolution," by N. Lenin.

bureaucracy will still exist. If Herr Lenin's heroics have any meaning at all, it is that the bulk of the people will stand about with guns in their hands and watch the former capitalists work. This would be a fairly large bureaucracy, but what would there be to eat after the capitalists had all been killed? It is to be gathered from Mr. Lenin that everything would "wither away."

There is no real difference between a Commissary and a Bureaucrat. Both are officials at the seat of Government who make rules for other people and do not do any work themselves.

Socialism even of the moderate form is a curse to the country, and cures none of the ills for which it proposes to be a panacea. We have in these pages seen many of the objections to it stated. In Russia they did not argue them out, they tried them. The result was a hopeless failure as Litvinoff admits:

The Moderate Socialist called together a congress "consisting of delegates from co-operative societies, professional organisations (such as those of medical men, journalists, barristers and engineers), municipalities, County Councils, and even employers' associations, to deliberate upon the situation, along with a limited number of representatives from the Soviets and peasants' councils."\*

This was a body very similar to the "New Labour Party," at which Mr. Henderson, M.P., is aiming, and which the middle class workers are asked to join. It was:

"A direct challenge to the Workers' and Soldiers' Democracy."

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\* "The Bolshevik Revolution," by Maxim Litvinoff, p. 25.

Of course! They were out for loot, murder, and trouble generally, and did not want the matter arranged amicably—not that a Socialist party could have arranged things in Russia or anywhere else. Just as the Russian proletariat who, after they had destroyed their existing society, bad and corrupt as it was in many ways, expecting to find a new heaven and a new earth ready made were disappointed, and in their desperation turned to rapine and the Red Terror, so it would be here. So it was in France in '89, in '48, in '71. So it ever has been. To-day to most of us life is a struggle. Under Socialism it would be a failure. Under Bolshevism it would become death. Complete bureaucracy is unendurable. We must fight Bolshevism in the first ditch, not the last. And Nationalisation is the first ditch.

If we turn to another aspect of the matter, we again find ourselves up against what is so self-evident a truth that it has not even (beyond the scriptural adjuration that no man may serve two masters) passed into a proverb. No man can be both Judge and suitor in his own case.

All men when they deal with the State have a feeling of irritation. It is not always easy to define why, but the feeling, though suppressed, is always there, and it is universal. It arises from the inherent dignity and sense of liberty of human kind. The man is up against something stronger than himself and is subtly outraged. Carried to excess, this feeling is distinctly anti-social and may sometimes take a definitely vicious form, as in the case of the irreconcilable and the *sans culotte* revolutionary. This very dangerous type has always resulted from serious errors of justice in the past. It is very largely hereditary, and in Europe has

two main sources. One was in France as a result of mis-government before 1789. By oppression some members of a gallant and noble race were converted into something like malignant wild beasts. It is probable that these were, to begin with, somewhat feeble-minded, or at all events, of undeveloped intelligence. The mental characteristic is to some extent hereditary, in so far as it results from disposition. This is confirmed to some slight extent by Galton, who remarks that there is a prevalence of dark hair among men of atra-bilious and sour temperament.\*

This is by no means a certain guide, but close observation of gatherings of people of the extreme type of social revolutionary affords convincing evidence that the real irreconcilable is more often than not of a degenerated type. This would suggest of itself some degree of mental deficiency. This type of agitator persisted in France for some generations, each successive efflorescence being feebler and on a smaller scale than the last; it is noteworthy that there was a certain periodicity in the outbreaks which occurred in 1789 (The Terror), in 1848, and 1871. Each successive demonstration being of feebler significance than the last.

The other cradle of European revolutions was Poland. It is from here that we get the real international revolutionary. It is a bad type, not usually of pure Polish race, and much more frequently of mixed blood, in which the quick and intelligent Polish disposition by intermixture acts as a ferment. The exciting cause was unquestionably the Partition of Poland, of which Sir James Mackintosh

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\* "Inquiries Into Human Faculty," by Francis Galton, F.R.S., p. 5.

observes that "no single cause has contributed so much to alienate mankind from ancient institutions and loosen their respect for established governments."\*

Practically all the sources of European economic seditions are based—in some cases indirectly but more or less definitely, as in the case of the German school of Social Democracy—on these two plague spots.

There is a milder form of defiance of authority chiefly English in tone. It is a curious and comparatively trifling side issue, that of the "cheap martyr." It is copied to some extent in the United States and takes such forms as the "Passive Resister," the Suffragette chained to the railings, the conscientious objector in the war and the anti-vaccinator. In most of these cases it is really a paradoxical intermixture of the British spirit of independence, physical cowardice and hysteria. An excessive personal vanity is always present, together with other signs of incipient insanity. A perverted, or at least, abnormal sexual disposition is not infrequent. The type of Socialist, such as the "well-known labour-leader" who takes to collectivism from political ambition, is, of course, excluded from these remarks, while there are, of course, many thousands of Socialists whom it would not be just to include in this classification. They are attracted to the creed by the notion that the "State" (whatever they imagine that may be), will assume absolute responsibility for them, that all anxiety will be spared them and that life, far from being a struggle, will be an ordered round of

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\* "An Account of the Partition of Poland," by Sir James Mackintosh, *Edinburgh Review*, Vol. XXXVII., p. 463.



standard work and regular meals. There is, says Galton, "a curious and apparently anomalous group of base moral instincts and intellectual deficiencies that are innate rather than acquired. They are the slavish aptitudes from which the leaders of men are exempt, but which are characteristic elements in the disposition of ordinary persons. The vast majority of persons of our race have a natural tendency to shrink from the responsibility of standing and acting alone. They exalt the *vox populi*, even when they know it to be the utterances of a mob of nobodies, into the *Vox Dei*, and they are willing slaves to tradition, authority and custom. The intellectual deficiencies corresponding to those moral flaws are shown by the rareness of free and original thought . . . the slavish aptitudes in man are a direct consequence of his gregarious nature.

. . . Gregarious brute animals possess a want of self-reliance to a marked degree."\*

A further passage descriptive of the gregarious habits of the camels, is distinctly amusing :

"The better I understood them the more complex and worthy of study did their minds appear to be. But I am now concerned only with their blind gregarious instincts which are conspicuously distinct from the ordinary social desires. In the latter they are deficient ; thus they are not amiable to one another, but show, on the whole, more expressions of spite and disgust than of forbearance or fondness."

One is irresistibly tempted to think of a conference of rival Socialists. It is a well-known fact that the human body or mind, weakened by shock or some other malign influence, is exposed more readily to

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\* "Inquiry into Human Faculty," p. 47.

the influence of disease, and unquestionably, the wave of Socialist feeling which has spread over Europe since the war, may be attributed to some such cause. Every national society may be considered as organic in nature, and what is to-day called war-weariness is but the advance effects of the shock of war on these social organisms. We are accustomed to think of the British character as craving for independence and responsibility rather than for reliance upon others, and, therefore, Galton's severe comment is to some extent unduly sweeping. Probably the majority of our people, as the majority elsewhere, shirk complete responsibility, but that does not mean a willingness to accept slavish dependence on the State on the Russian model. However, the weakness caused by war-weariness has undoubtedly increased the class affected by the disease of Communism. National characters undoubtedly differ enormously and probably Russia, which had accepted bureaucratic government under the Czars for centuries, had acquired that slavish character which made it, as a nation, content to accept a worse and more unmoral bureaucracy under the Bolsheviks. It is true that in no other country could this malignant and undignified political and economic creed have made such headway in so short a time.

We have seen that hatred of authority may be so perverted by moral cowardice that it is willing to accept even greater authority, and that those who rail on the one hand against social inequality because it represents a divagation of some instinctive and sub-conscious notion of their right to liberty will, in the pursuit of what is an unformed desire, profess themselves willing to submit to universal authority and self-repression. This is the basic inconsistency

of all Socialism, though the creed's most ingenious advocates seek to evade it by arguing, as Lenin does, that Socialism itself is but the half-way house to anarchistic communism. Our English Socialists with characteristic lack of candour, phrase this in less frank language ; " we shall," they say, " abolish individualism in order to attain to a complete freedom for the individual."

The hatred of authority, therefore, is a normal feeling, perverted to the point of disappearance by the consistent Socialist, carried to the point of anarchy by the irreconcilable, while it is a normal but sub-conscious instinct in the vast majority or ordinarily sane and well-balanced human kind. And it is based on reason, and is capable of the simplest possible mathematical proof. Every single human being is distinct from every other human being. No two are alike. In some way, possibly a very minute way, probably a very big way, our fellow-creatures differ. Let any one who doubts this choose two of his friends, as closely alike as he can find them. He will be at once aware of enormous differences in disposition, taste, temper and strength. Now a State administered by a Bureaucracy, as all States are, must conflict at innumerable points with every one of its citizens. We will assume the State to be entirely just, far-seeing and informed. The most it can do is to govern in the interests of the average, and the average of any number of varying quantities is different from all of them. Take the four quantities, 3, 4, 6, and 7. They are all different. The average of them is 5,—different from them all.

Thus every act of Government conceived in the interests of the mass must offend in some way, small or large, practically every individual of which that

mass is composed. The discontent resulting may not be expressed. It may be accepted because of a recognition of the general justice and prudence of the Government's decision, but it is none the less there and forms a reason for limiting the action of Government to the minimum possible. Now, Socialism inasmuch as it represents the maximum of Government interference, is a political device inconsistent with this theory. It is a limitation of human liberty, and sooner or later—and probably sooner—a Socialist Government would come to grief because it had offended in some way every one of its supporters. All Governments do that, but the Socialist Government would do it more promptly than any other, because it would interfere more, and the more democratic its form, and the more sensitive it was to the feelings of its supporters, the quicker would be its downfall. Possibly the Socialist system might survive the downfall of several Socialist Governments, but after the first adventure, the end would be in sight, the process of disintegration would have been set up. There is nothing so obnoxious as a paternal Government to a man who has been born in a free country.

Full of realisation of the fact that the present Socialist movement illogically enough derives most of its force from the constitutional objection of the bulk of its followers to all existing authority, the framers of the constitution of Socialist schemes make preparation for the most democratic forms of rule. They abandon, in theory, representative Government. Thus Lenin writes :

“ We, however, shall go forward to a break with the Opportunists. And the whole of the class-conscious proletariat will be with us—not for a ‘ rearrangement of forces,’ but for the overthrow of the capitalist class, the

*destruction of bourgeois parliamentarianism, the building up of a democratic republic after the type of the Commune or a republic of Soviets (Councils) of workers' and soldiers' deputies—the revolutionary dictatorship of the proletariat."* \*

How the Soviets govern is explained by the German Spartacists when they demand that all delegates to the central authority are, under the form of government they desire, liable to constant recall from the Soviet authorising them. This, of course, is mere delegation. Lenin is himself afraid that his Government would end were representative Government established ; while again, in his view, the proletariat is not yet ripe for Communism. The only way according to himself, therefore, to benefit the masses by the establishment of complete economic and political freedom, is for Lenin himself, the only person who really knows all about it, to remain the sole authority until the masses are "ripe." Delegates are, of course, sent to the Central Soviet, but care is taken that they are personally agreeable to Lenin. Thus, as long ago as the 15th March, 1919, the delegates of the St. Petersburg Soviets demanded free election and the return of their property to the Co-operative Societies, together with the release of a number of Socialists who had been imprisoned by Lenin's orders. These demands were not in accordance with Lenin's views. The delegates in question were shot and other "delegates" selected by Lenin, and his creatures were "accepted" instead !

"The imaginary dictatorship of the proletariat has definitely turned into the dictatorship of the Bolshevik Party, which attracted all sorts of

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\* "The State and Revolution," p. 122.

adventurers and suspicious characters, and is supported only by the naked force of hired bayonets. This sham Socialism resulted in the complete destruction of Russian industry, in the country's enslavement to foreign capital, in the destruction of all class organisation of the proletariat, in the suppression of all democratic liberty, and of all organs of democratic State life."\*

Delegation is not a possible form of Government. At its origination it is hesitating and weak, liable to be affected by every wind that blows. Later on, by its control of the machinery, the central dictatorship secures control of the bodies sending the delegates. The central dictatorship is the one permanent thing in the "organisation," and speedily any show of authority the delegates or their constituents exercise, becomes very shadowy. This is inevitable. No man of conscious originality, power or dignity would ever consent to be a mere delegate. Thus the best elements for the administration and preservation of the liberties of the people are lost, and the nation under "delegated" Government sinks back into autocracy.

Lenin's railing against bureaucracy may or may not be sincere. He has proved, however, in his own person one thing. That is that just as anarchy succeeds socialism, dictatorship succeeds anarchy. He is not doomed to last. In the meantime, the national group that was formerly the Russian State is ruled by this secret *Junta*. They in themselves—Lenin, Trotsky, Peter Torin, Zinoviev, and the rest—constitute an oligarchical bureaucracy, with

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\* Protest of the Social Democratic Labour Party and of the Jewish Socialist Party of Russia.—August, 1918.



powers beside which the Defence of the Realm Regulations in this country are merely pious opinion.\*

Lenin and his associates claim that they are out to destroy law. They are destroying one law, it is true, but they do not see that they are creating another. It is not our law, and it is not a good law, but it is a law all the same. That mass of prohibitive regulations, Communism and delegation which Communism is building round itself is but law. And even if no counter-revolution comes, and if a scandalised world permits this outrage upon humanity to live and flourish it will change. Free it calls itself. Rigid it is, and the more hide-bound the system the speedier the death, for nothing rigid lives. So that, if it persists the world will yet see the final paradox of an uprising of the future proletariat of Russia, in passionate appeal against the vested interests which have grown up under Leninism; for after the Consul comes the Praetor.

The issue we are forcing in this country, however, is different to that before the former Empire of the Czars. A better educated democracy realises that Communist anarchism is an impracticable nightmare, and pins its faith upon that form of State-Socialism which involves merely the nationalisation of the great means of production. Hence it appears that the British type of Socialism, and the type of Socialism favoured by the majority Socialists in Germany, is bureaucratic. After all there are three alternatives before us. There is the Communistic

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\* The following is a specimen :

“ To the notice of the House Committee. Obligatory Regulation No. 27. Every House Committee is under obligation to subscribe, paying for same, one copy of the newspaper, *The Northern Commune*, the official organ.”

anarchism of Russia, which will certainly fail. There is the bureaucratic Socialism favoured by Mr. Sydney Webb, Mr. Ramsay Macdonald and their friends, and which would perhaps keep us alive in a poor sort of way until people got tired of it, and there is the system of private enterprise, which has not yet reached perfection, and is therefore still capable of improvement. In what manner it is capable of improvement will subsequently appear.

As one of the reasons alleged for the Socialisation of the means of production is the existing labour unrest, it is desirable to inquire whether that system of administration would in any way relieve the tension between the managers of industry and those they employ. We are told that it would, and one of the reasons urged in support of the view is that, under nationalised industry, Labour would be working for itself and not for a third person. That, therefore, it would deal with its toil in a totally different spirit and would bring to it that enthusiasm and interest which is demanded for a satisfactory result. It is plain that this is not by any means a credible argument. It is false to the knowledge of any one of us, and is certainly not urged with full sincerity; the whole of our previous experience, and there is any amount of it, contradicts the assertion.

It is well known that the National Dockyards are unable to compete with private yards in economy, efficiency and time. A startling example was given of this some years ago in respect of two sister-battleships of the *Vanguard* type. One was constructed by the great firm of Vickers at Barrow, the other in Portsmouth Dockyard. In the end it was found that although the ships were

identical, that made by private enterprise was completed in six months' less time than the Government vessel, and cost the nation nearly £300,000 less. Vickers actually paid its labour at a higher rate and presumably made a profit on the transaction. The contrast in efficiency is therefore remarkable. A Government or even a municipal industry is too big to enable the workers to appreciate the result of any special effort on their part. Take the London County Council trams for instance. There would not be any sense whatever in asking one of its drivers whether he did not appreciate the honour of being one of the owners of the car he was driving. He does not like driving a Council tram any more or any less than the driver of a privately-owned London United Company's tram-car likes driving the Company's. They both have the same pay, the same hours, the same grievances, and belong to the same Union. A dockyard worker cares no more for rivetting steel plates under Government than he does under a private firm on the Tyne. A clerk in a Government office works no better than a clerk in a private counting-house. The railway men under Government control have done no better than the same men under private control.

Lately there has been a great campaign for increased production. As we are plainly suffering from under-production, with the inevitable results of high prices and falling exchanges, and as, moreover, it is difficult for many of us to get those conveniences (such as houses) to which we were accustomed before the war, it would appear that Labour could realise that the cure of the many ills from which the nation is suffering from this reason, ills which react with as much suffering to workmen and their families as they do to other classes, was a

matter for its serious and definite attention. The obvious cure for high prices is to produce more goods and bring down the price by competition, the obvious cure for a scarcity of the necessities of life is to make more of them. Labour, however, officially does not regard it from this simple and natural point of view. Labour leaders are full of windy and absurd theories, are absurdly confident of their own supreme wisdom, and it is an indisputable fact that secretly and universally they have advised the members of the Unions to work slowly and not to produce more. The reason is, that they profess to fear unemployment. That if more goods are produced the market will be overstocked and works be closed. That if each man only does a little, more men can be taken on. Of course this is all ridiculous nonsense, but if we omit these Labour officials, and they are not infrequent, who actually rejoice at the troubles of the capitalist and consumer out of sheer political malignity, the view is held sincerely. What guarantee have we that under Nationalised industry, the same view would not be held? Labour is fond of saying that it knows more than the Government. It has been known for instance, not very long ago, to actually threaten the Government with "Direct Action" (by which is meant a strike for political purposes) if the Government did not obey the behests of a few noisy Labour Party officials on an important question of foreign policy. Is it not just as likely that they would have equal confidence in their own theories on over-production, the desirability of markets and other matters which are certainly more nearly the concern of a Trade Union in its corporate capacity than the relations of the British Army with its sworn allies.

As a matter of fact, we have to-day an attitude on the part of labour of overweening conceit and self-confidence in their own judgment. They profess to know their own affairs better than other people know them. Of that, no possible complaint could be made. But when they add—as they frequently do—that they know more of everybody else's affairs too, one may be pardoned a feeling of impatience.

In the early part of the present year, Messrs. Brinsmead & Sons, a noted British firm of piano manufacturers, closed their works. This firm, which had employed some three hundred hands, gave as their reason the fact that owing to the small production per man, and the high wages paid, they could not any longer produce except at a loss, or indeed, compete with foreign makers. The firm might naturally be expected to know their own business. They kept the books, they attended to the costing. They produced definite figures to show that a flat rate of wages introduced at the demand of Labour, instead of the pre-war piece-rate, the shorter hours, the slower rate of work and the treble wages paid had resulted in a cost of production so high, that it now took twenty-six men to do six men's work, and that it cost as much to-day merely to polish the case of a piano as it had formerly cost to make the entire instrument. Naturally the men who had lost their work were agitated and alarmed. It was, of course, for them, as for the firm, a disaster, but it would have been possible to feel more sympathy for them if they had accepted part of the blame themselves. Instead of that, they blamed the management. They denied the accuracy of the figures, which was ridiculous, as neither the men nor their Union keep the costing-

books, and they added that the management was too costly and had "not sufficient experience of the industry to run a piano-factory"! It is a typical instance, and would be repeated in any industry under Government control. The attitude of mind displayed is plainly that cultivated under the tuition of the modern Labour Party, which poses as intellectual, the only intellectual Party, and dubs every person in the country who is not a Socialist as either a fool or a knave. The worst feature of the whole Labour movement is at once its ignorance and its arrogance. They have a ridiculous economic superstition. Such evidence as supports it is of the vaguest *a priori* character. Of their main contention—the possibility of a Socialist State—they have not one satisfactory illustration. Of part of their scheme they have illustrations which admit the possibility of a temporary and occasional success. This they assume to constitute logical proof of the whole as a matter of general law! Thus we are told that Bolshevism has justified itself by its success, because (and it is the only thing in the way of satisfactory economic proof they have yet adduced), as a result of Bolshevik courage and statesmanship, by September, 1918, eighteen months after the Bolshevik outbreak, "food requisitioned from the peasantry had begun to come into the starving towns."\*

It does not appear to be a very great triumph. As a matter of fact, even if we admit success in the few instances claimed by the Bolsheviks themselves, we see they are claimed on the wrong grounds. Thus we are told with great triumph that in "one

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\* "Capitalist Europe and Socialist Russia," by M. P. Price, pp. 28 and 29.



place " in the Tula province the productivity of the land was actually greater after the revolution than before the war. The reason was, of course, that instead of being worked on the old common field system (abandoned 200 years ago by agriculturists in this country), which is notoriously wasteful, this land was intensively cultivated by forced labour.\*

The relations of a Bureaucracy to Labour are always strained, and the bigger the bureaucracy and the larger the enterprises undertaken the greater the strain must be. The greatest evil of the mass production of the present industrial era is the severance of the old personal link between employer and employed. The directing head is too remote from the bulk of the labour for there to be an easy opportunity of that personal sympathy on both sides which is so great an aid in creating smooth relations. In nationalised industry this severance would be even more complete. Labour would be dealing with a "department" which, as it consisted of servants itself of all grades, would be so occupied with its own problems as to have little energy to spare for the troubles and grievances of labour. They would look on labour disputes merely as something that caused them extra work and worry, and as a dispute is almost universally started by Labour (on some claims either just or unjust), the department would come to look on Labour from the point of view of its own ease and routine as a chronic nuisance. Busy people doing work at a flat rate do not welcome increases to their toil. They do not take those high-handed altruistic

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\* "Capitalist Europe and Socialist Russia," by M. P. Price.

views which Socialists attribute (in talk) to the majority of mankind and which one so rarely observes among them themselves. The Bureaucrat belongs, and always must belong, to a caste apart. No matter what the manner of his selection, he speedily becomes a member of the hierarchy which has enormous powers, and at the same time its own peculiar views and interests.

Socialists repeatedly urge that "the State is yourselves. If you were employed by the State, you would be employed by yourselves. You would know all about yourselves."

It is all nonsense and fine language. A man employed by the State is employed by an abstraction which has no counterpart in ordinary life. It is, and must be, something above and apart from its constituent members.

Our experience during the war shows us that a State Department cannot deal satisfactorily with Labour—with Labour, that is, in time of peace. The military aspect is here entirely left on one side. The ruthless nature of military discipline in enforcing the commands of superiors is too obvious to need enlargement. The State in war is a resultant. Individual oppression, injustice, preference, go for nothing. Nothing matters provided the campaign is won. As Bernhardt truly observes, the essence of war is violence. It is quite right that it should be so. In war one is up against the primitive; a mis-heard word, a wrong word, a word too much, may mean the violent death of hundreds, and consequently what, in our ordinary life to-day, would be <sup>not</sup>guiltless, or merely venial, in war-time earns the death penalty imposed.

In peace under exclusive State control the same attitude would prevail. The one must not injure

the many, even by passive idleness. No private predilection of his must stand in the way of the march of humanity, for just as the military command is ruthless because of the ruthless facts opposed to it, the economic command would be ruthless because of its theories and fears. The essence of Government is force. Now, in war-time this is quite justifiable, for in war there is but one object, to oppose violence with greater violence, but in peace there is not one object, but thousands. Just as the common aims of humanity are infinitely variable, and as humanity finds its greatest riches in variation, the rule of war is not applicable to conditions of peace. The aim of Government, as Aristotle observes, is the establishment of good life, and peace cannot succeed, as war can, by suppression. The hope of mankind lies in the development of individual character, and this is done not by suppression, but by latitude. Our British Socialists have frequently raised protest against the strictness of military law and the severity with which it is enforced. It is not difficult to realise their conduct in a state of society where martial law was extended to the whole of civil life, not in a special time of emergency, but as a permanent rule.

The Socialist or revolutionary type is one constitutionally impatient of authority. He is against all power except when it is wielded by himself. He urges upon us the adoption of a scheme of society which would subordinate all mankind to an iron discipline, to a theory which means, if it means anything, the complete absorption of the man in the State. It is a mere excuse for revolution. He must have a creed of some sort with which to exploit the masses, and he seizes, therefore, on one fundamentally opposed to his own character,

Our revolutionary puts up his altar to the "Unknown God." Unknown as a god, indeed, but known to wiser men than Socialists as a devil in disguise.

"To suppose," said Mr. Sidney Webb, "that the industrial affairs of a complicated industrial State can be run without strict subordination and discipline, without obedience to orders and without definite allowance for maintenance is to dream not of Socialism, but of anarchism." \*

Without further dwelling on the slavishness of the whole business, this declaration by the intellectual leader of British Socialists is worth pondering in the light of recent experience. All the miseries of rationing, of food control, of consulting officials instead of convenience, of getting less, rather than more, bad quality instead of good, margarine instead of butter, Manchurian beef (Bolshevist beef) instead of English, are to be perpetrated under Socialism. It represents a day when you get your beef not from the butcher, but from the bureaucrat.

If, however, we are to be governed by a bureaucracy, it will pay for us to realise what is the nature of the thing as exposed by an examination of some of the smaller details. Wherever possible in this process, the wider principles of Socialism will be taken and the theory illustrated by experience of the working of a detail.

Naturally the first principal that occurs to the mind is the wide claim that is made for Socialism that it represents co-ordinated effort and that economies in production and distribution will be effected by eliminating duplex services and thus

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\* "Socialism True and False."

a greater number of people will be thrown free to take part in the work of production and thereby lighten the labours of the present producers. In other words—and no Socialist could phrase it better than this in his own interests—the landlord, the capitalist, the middleman and the shopkeeper will be taken off the back of the worker and converted from being his burdens into his comrades in toil. It is very pretty.

If it were possible at all to run a Socialist State, even as a bureaucracy (which it is not), and if the number of bureaucrats could be kept within reasonable limits (which they cannot), and if the thousand and one other insuperable objections detailed in these pages could be overcome (which is not possible), there might be something in the scheme. In opposition to this pretty theory we have, however, the incontestable fact that wherever you have a bureaucracy the bigger it grows, and the bigger it is the faster it grows. The reason for this is not far to seek.

We have seen that the bureaucrats constitute a caste apart. This is from no intentional vice or exclusiveness on their part. It is because of the natural tendency of molecules to congregate together. It can be seen in any department of life, and particularly in the public service, that common experience and common ideals and occupations bring men together into a variety of freemasonry. In their own ideas they do form, indeed, a professional aristocracy with a thorough contempt for the outside world.

Nobody, for instance, could possibly be nicer, by himself, than the retired military officer of the old regular army. Cultured, well-mannered, courteous, brave, he presents all the graces of the

best of his countrymen. But most people with the experience of having tried to live in a provincial town where the bulk of society consisted of retired military officers and their wives, would not care to repeat the experiment. Caste, clique, and a nameless sort of cold-shouldering, are inevitable. A colony inhabited, say, entirely by officials of the permanent staff of the Home Office would be equally intolerable. It is when they are gathered together that their detachment appears. It is quite possible that in the Socialist Party itself there is an inner official ring which looks after its own interests and keeps at arm's length the general advances of the proletariat of comrades who make up the bulk of the party, each one of them, by the way, bursting with ambition to enter the charmed circle.

Now, in any office the first thing the official desires is promotion, and promotion is most generally bestowed according to the size of the department. Besides, to increase the size of the department is to reduce the work done per head by the existing members of it, just as the Socialists profess that they can reduce the work per head of the manual labour class by increasing the number of that class by adding to it the people they say they now maintain in idleness or useless employment (an entirely fallacious idea, by the way), so departments try to lighten their own labours by increasing the number of their assistants. And they are able to do it. During the war one of the causes of popular discontent was the multiplication of officials, and though, in justice to our political leaders in the Government, we must say that the Ministers tried all they could to keep the departments within bounds, it was a task altogether beyond them. It



is all very well to say that under Socialism or any other scheme any multiplication of departments and officials would be ruthlessly suppressed, for it could not be done. Responsible Ministers cannot attend to all these details (and it is in the details where the leakage occurs), for while they are occupied with questions of policy, they must leave matters of administration to others. With each step downwards in the official hierarchy the temptation grows, until the bottom ranks are reached, and the lower grades actually act as recruiting agents and regard it as almost a matter of duty to "get a friend into the office."

In much the same way there is a tendency for departments to run amok with the idea of organisation. To them organisation means specialisation, and no matter how small the specialty may be, it must have a department or sub-department to itself, which in its turn grows unwieldy and propagates itself by sub-division. The same problem undoubtedly occurs in a private business, but there the check on over-expansion of office staff is immediate and severe. The bigger and more public the business, the greater is the risk in this way, and there is some ground for suspicion that one or two of our greater railway companies in the past were not innocent of this error. A great railway company, however, is so near in nature to a real public administrative body that, like municipalities and the State, it is in danger of making the mistake. Even then, however, there is an ultimate check, first in the directors, second in the shareholders.

For a Government Department, the only check is the Treasury, and Treasury control is far less efficient than it used to be. For a large county borough there is no check at all. This is all waste

in its simplest form, and the contention of the Socialists that the capitalist is on the backs of the worker is seen to be futile. The multiplication of officials which is inevitable under national administration would put a bigger burden on the backs of the workers in salaries alone than the whole of the remuneration paid to capital at present. There are at present in Government offices alone administrative staffs numbering nearly 400,000. If a complete nationalisation of industry was carried out, this would be multiplied by ten, bringing the administrative staff to something like four millions of people. It may be assumed that to pay them would average out, say, at £3 a week. That would mean a national expenditure on salaries of something like £600,000,000 a year. What the Socialists call the surplus value paid to capitalists has been put at £200,000,000 a year in these pages, Professor A. L. Bowley quoting it at only £133,000,000. Taking the larger figure, however, as more flattering to the Socialists, their scheme would involve the saving of £1 and the spending of £3.

Another objection to bureaucracy is the waste of brain-power it involves. Any waste is bad, waste of raw material, waste of labour, waste of money, but waste of brains is worse still. Always in Government offices one sees, to use an illustration, the whole of the ship's boilers supplying steam to the donkey-engine. Even the man at the top, the responsible brain of the whole department, has his time frittered away in the pettiest matters. Small disputes in the office—and at least three-quarters of the time of any Government office is concerned with jealousies either between its own servants or with other departments—comes before him. A member of Parliament wants to adver-

tise himself, or embarrass the Government, or controvert a newspaper, and calls for a return of certain facts. The return does not really convey any intelligible information to any one about anything that really matters, but the department concerned has to leave all other work and concentrate upon it. These may seem trifles, but they are the sort of trifles which create important principles. In such a subtle and delicate operation as the adventure of capital only the man who is responsible only to himself can act with the necessary boldness and discretion. A civil servant, whether office boy or Cabinet Minister, has always principals above him whom he fears. And to what a master does he owe duty? Thousand voiced and thousand eyed, at once garrulous and complaining, taciturn and bold. No leader of the democracy knows to-day what his master shall be like to-morrow, whether friendly, enemy or indifferent. It is not under these circumstances such as these of vicarious responsibility and diffused authority that those great operations, whether of commerce or production, can be conducted.

The more, too, that the patronage of a Government is increased, the greater becomes the probability that the prizes of the Civil Service will go to those who, not necessarily the most efficient in the work they seek, are most efficient in political wire-pulling. To-day there is a frequently made complaint that there is no small measure of favouritism in official life, and though probably the circumstances are much exaggerated, there can be no doubt but that there is some ground for the accusation. That is no reason why we should exchange present conditions for others in which things would be far worse. The system of the

private ownership and direction of capital can be amended so that these errors no longer apply, and to amend a system by removing an ascertained evil is better than substituting another system of which the qualities are new to our experience and which contains unknown potentialities for harm. We want to abolish privilege, not run the risk of extending it.

There is another aspect of the matter that must not be forgotten. The perfect civil servant of the administrative type is not a common type at all. Those peculiar personal qualities which fit him for his difficult position, and which differ to such a remarkable extent from the administrative qualities of the successful business man, are indeed a rarity. The Civil Service is not capable of indefinite expansion because there are not men enough of the right sort in the country to run it. It is impossible to withhold admiration from the "old" Civil Service of this country with its fine traditions of intellect, loyalty and courtesy. But experience in the war, during which the Service grew to ten times its former size, soon showed us that we had pretty well exhausted the material. The flagrant stupidity, selfishness and cowardice of some of these additions to the temporary staff were a warning to the nation that it is almost as easy to be bankrupt in brains as bankrupt in pocket. There is, as a fact, to-day an actual shortage of men of the right type to fill the really responsible positions, and it is useless to hope to make nationalisation a success under such conditions. It is far better to have the industries well conducted under private control than badly conducted under State ownership.

## CHAPTER VII

### SECURITY

THERE is one interesting little incident in the early history of Socialism, the full significance of which is not frequently noticed, and without detailing the experiment and failure of a Utopian ideal, it is convenient to refer to it here as the exemplar of a wider problem.

Robert Owen, the celebrated English philanthropist, started his Community of New Harmony in 1825. The Community was initiated under the most auspicious circumstances. They had the funds of Owen—a wealthy man—behind them. He bestowed on them 30,000 acres of land, three thousand of which were under cultivation, eighteen acres of vines, six hundred acres of orchard, and a ready-built town with well-laid out streets, churches, schools and public offices. A princely gift. From its inception the community had a chequered career. The people could not agree, and although there were under 1,000 people, on rich and developed land capable of supporting four times the number, after a few years of growing discontent and accumulating loss, the community dissolved in hopeless failure.

All sorts of reasons have been given for this melancholy result, but there is no doubt that the Socialists themselves give the correct one. It is that New Harmony failed because it was "in a capitalist environment."

In other and perhaps better words, because they contain less of that affectation of pseudo-philosophy so greatly in favour with Socialists, New Harmony failed because it could not, as a producer, compete with its capitalist neighbours. Its strength was not great enough to enable it to stand the drain on its enterprise caused by the greater inducements held out elsewhere, and its method of production, inefficient as community production must always be, proved feeble in comparison with the greater efforts put forward by the ordinary vigorous and natural human life near to it. Socialism is a mere theory of distribution. Socialists have never yet applied any real scientific inquiries to production. They talk about it, but do not investigate it. When they begin to do so, they will cease to be Socialists. Lenin, in his volume "Against the Current," admits the truth of the above generalisation. Bolshevism, as an economic system, he urges, cannot be permanent even in Russia, unless it is world-wide, and therefore to preserve their system Bolsheviks must proselytise until the whole world is under their banner. Marx urged the same view. Throughout he insists that Socialism is an international and not a national thing. That if it is not international, it is nothing.

It is not really essential to argue the matter much further than this, because the demonstration of the undesirability and indeed impossibility of international Socialism, is so easy that the matter almost goes by default. However, Socialists urge their propaganda from so many different standpoints that a simple demonstration never satisfies them. They confuse the issue so much with a multifarious number of very imperfectly comprehended details expressed in the most high-flown and technical



language that, with the unthinking, they receive more credit for learning than is properly their due. We cannot therefore satisfy ourselves with the simple syllogism, "Socialism is not possible unless it is international." International Socialism is not possible; therefore Socialism is not possible. We must go further and sweep up all the debris of the arguments with which Socialists have made the world so untidy.

Perhaps the best way to prove the impossibility of International Socialism will be to refer for a moment to one of those phases of natural philosophy from which so many illustrations of the utmost value in the study of economics can be drawn. It is one of the axioms of nature that animals whose media of life are inconsistent cannot live together. One could not, for instance, find an example of the wasp and bee living together in the same hollow tree. The brown rat from Norway drove out the English black rat. The North American Indian died out before the advance of the white man, and other illustrations could be multiplied. It is in labour, however, that we get those illustrations which are to our purpose at the moment. The natural antipathy of labour of the higher races is against working with labour of inferior races. One cannot get labour of two varying standards of life to work together amicably. The thing is both a social and an economic impossibility.

Possibly the most pertinent example can be found on the Pacific Slope of the North American Continent. The whole of that coast from the North of British Columbia to the Southern end of California is liable to economic invasions by Chinese and Japanese. Purely as citizens nothing can be urged against these two races. They are quiet,

sober and industrious. They have, however, a standard of life so much lower than that of the white races into whose territory they desire to enter, that the entire labour world seeks to prohibit their competition, with the result that the strictest possible immigration laws in both Canada and the United States have forbidden the admission of the yellow races. A white man whose minimum standard of subsistence is marked at the level of eighteen dollars a week will not permit the competition of a Chinaman who can live and thrive on five dollars.

To some extent this confirms the Socialist theory, as illustrated by the New Harmony episode, that Socialism and Capitalism being two mutually inconsistent systems cannot exist together, while it also proves the ridiculous nature of the attempt now being made in Great Britain to socialise some industries and leave others in private hands. There can be no paltering with a principle, and the action of those politicians who are trying to please both parties by a compromise will please neither and will probably ruin both. To do so is merely to bring about a state of things analogous to the old "Happy Family," which used to be exhibited in shows, in which a cat, a mouse, a dog and a rabbit slumbered together in a dirty cage.

It is proposed hereafter to look at the matter from a different standpoint than this. Under International Socialism the whole world would be under the common flag of the parliament of man and the federation of the world. This plainly involves both a common standard of subsistence and a common standard of production. To arrange these appears to be a superhuman undertaking, and even if it is satisfactorily arranged, it seems tolerably certain that the white races would lose by the

amalgamation. Expressed in its simplest arithmetical form it means that the white races would give something for nothing ; the motto being that each must render according to his ability and receive according to his needs, on the basis of each for all and all for each, it would appear that—for a beginning—the English artizan with his high capacity for work, his acquired and inherited skill and his high wages, is to pool his lot with the Chinese coolie, with a low capacity for work, and no skill at all, and a weekly wage that would not keep an Englishman for a day. Yet China, India and Japan, the Malays of Java, Kroomen of the West Coast, the peons of South America, are to be swept up with the English and the Scotch, the ingenious American, the artistic Frenchman and the stalwart sons of the British Empire's outer dominions. For what ? Simply so that there may be no break in the exchange between Socialist and non-Socialist countries. The whole world is to be amalgamated and the British workman is to share his wages with a Chinaman in order to prove the truth of a German Jew's theory of surplus value !

Thus the advent of International Socialism, which a section of the white races are trying to force upon the yellow, brown and black, will result in their own destruction. They are throwing away their high heritage, and driven by argument from one absurdity to another have now arrived at such a pass that they profess themselves willing to share their beef and beer with the rice and water of the Chinese, so that it cannot be said that they are any longer "robbed by the capitalist."

This is not the only case where the Socialist theory, if carried out, would produce an effect absolutely contrary to that which they expected.

Quite apart from the general theories that Socialism is intended to bring about the greatest happiness and prosperity for the greatest number, and would really produce widespread destitution and terror, we can, if we take various smaller and less complete aspects of economic life, ascertain that not only in the complete issue is their dictum false, but also that whatever aspect of it we care to attack, we find an easy and indisputable proof of the falsity of the Socialist beliefs.

Let us take their view that the capitalist and landlord are on the backs of the worker. That the rich are growing richer and the poor poorer, and that the rich are receiving a gradually increasing proportionate share of the wealth produced in the world. Now that is a very general statement, of a very definite kind. It depends for its truth upon the truth of the facts alleged, but before we proceed to examine the various statements involved, it would be well to establish a position with which probably even the Socialists themselves will agree.

The wealth produced by this country is divided by Socialists and others into two unequal portions. The relative sizes of these portions has for many years been a matter of debate. One statistician after another has furnished estimates, for they can be nothing more, of these relative proportions. There is, however, one certain test by which we can ascertain, not the respective proportion of the national income, but the bare fact whether the share of capital is increasing or diminishing. Thus we can from an examination of certain data assert positively whether the Marxian doctrine that the richer are growing richer and the poor poorer is true or not. This datum is supplied in the average current rate of interest for the time being.

It is astonishing that responsible economists have almost entirely ignored this source of information. Mr. J. M. Keynes, C.B., in his interesting volume, "The Economic Consequences of the Peace," falls into the current error. His statement that prior to the war "society was so framed as to throw a great part of the increased income into the control of the class least likely to consume it," conveys a wrong impression. For nearly one hundred years the average rate of interest had declined. The rate of interest is the share of capital, and shows a decline in the proportionate returns paid to capital. Let us examine this a little more closely. A hundred years ago we in this country lived in an era of high prices. Tools, plant and machinery were, considering their low efficiency, enormously more expensive both to buy and to use than the greatly improved tools of to-day. To contrast the beam-engine of Napoleonic times with the high-pressure engines of to-day in installation, buildings, purchase price per I.H.P., fuel consumption per I.H.P., and in every other particular, it was enormously more expensive than modern plant.

Now there are three industrial factors in production—land, labour and capital. In the total product of industry that portion which is devoted to the remuneration of land has remained practically stationary and can therefore be ignored. With regard to the second—capital—we see that to-day it is more expensive and more efficient than it was. With regard to labour, there can be no doubt that the manual skill of labour to-day is no greater, and perhaps not so great as it was three generations ago.\* It produces better results, because it is

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\* This was also the late Mr. G. J. Holyoake's opinion.

armed with better tools. Now let us examine these conclusions by means of an example.

In 1814 the average interest on capital was ten per cent. The amount of capital adopted to each labourer was £50. It is impossible to estimate turnover, and therefore we will calculate the whole question on the assumption that the annual number of times the capital was turned over was the same in 1814 as in 1914. It was probably more frequent in the former year, as a matter of fact, which would only strengthen the present argument.

*In 1814.* A capitalist puts £100 into machinery. £10 into raw material. He employs two men. The goods made sell for £110. £10 is put back into raw material, there remains £100 for division between capital and labour. Labour takes £90. Capital takes ten per cent. (interest and profit at current rates).

*In 1914.* A capitalist puts £100 into machinery. £10 into raw material. He employs one man, for the machinery is self-acting. The goods made sell for £110. £10 is put back into raw material. Labour takes £95. Capital takes £5 (interest and profit at current rate).

Thus we see in the illustration given that the wages per man are more than doubled, while the proportionate reward of capital is halved.

There are of course a number of items omitted from these illustrations. The inclusion of them would only confuse the issue. The point involved is fairly simple. It is in the first place that capital competes with capital to employ labour, and therefore the price of labour rises. The feature of the nineteenth century was the increase in the amount of capital (which even Socialists admit) and the advance in the standard of living of labour (which Socialists cannot deny). Coupled with these two



facts we have another, which is equally incontrovertible, that the proportionate remuneration of capital, as illustrated in the current rate of interest, has declined. From 1814 to 1914, therefore, we had an alteration in values in so much as the capital value of capital itself (it is a clumsy phrase, but no other will serve the purpose) maintained itself, in spite of diminution of the remuneration of capital as expressed in the rate of interest.

Perhaps the most startling example of this operation was shown by Consols, where, in spite of the reduction of the rate of interest from three per cent. to  $2\frac{3}{4}$  per cent. by Mr. Goschen, the stock retained its former value.

That the total remuneration of capital has increased during the century is of course the case, but the total remuneration of labour has increased to an even greater extent. Where Socialists make their mistake is in confusing capital and income. It is all to the advantage of labour that capital should increase, because then labour has better tools to work with. It is equally to the advantage of labour that the current rate of interest should decline, because then labour gets a greater share of the product. Both these phenomena were the feature of the century until the outbreak of war. Mr. Keynes does not at all realise this, or if he does he conveys a totally different impression to that which he intends.

Now the gradual accumulation of wealth during the nineteenth century was the real cause of that betterment in the condition of the poorer classes which accompanied it. The betterment was not always apparent to people themselves, nor could it be expected to be so, for changes resulting from great economic causes are worked so quietly and

imperceptibly that most frequently a grievance has ceased to exist before the complaint has been formulated. The public mind moves slowly, too, and is tenacious of the memory of wrongs. However, generation by generation there was a marked improvement. We have endeavoured to show by principle that this took place and the figures prepared by Giffen and others quoted elsewhere in these pages bear out the principle stated. The question is, by what means was this improvement brought about? If we can discover that we have a guide for our social reforms in the future. A great many causes have been named, the political complexion of the authority being in most cases his chief reason for holding a particular opinion. Thus the trade unionist insists that it was the trade union by means of collective bargaining that did the whole work. Of a truth, it is hardly probable. That the unions until recently did a great work for their organised members there can be no doubt, but we must look for the real cause in a deeper level than this. The perfection of democratic government is another suggestion. Government, whether democratic or otherwise, never yet had any effect on great economic movements—the cause and effect are the other way round—and it is not necessary to waste space on so futile an assertion—one might just as well say that the Parliament Act was responsible for a decline in the value of landed property.

It seems probable on mature consideration that the real cause in the decline in the current rate of interest was increased security. There is such a close relation between the two things that it seems justifiable to assume so. Risk and high interest, security and low interest, have always gone hand in hand.

It should be noted, however, that by security we mean something more than the security of a safe-deposit vault. The security was in men's minds. It was in spite of all alarmists a quiet confidence in the future that was always justified when that future arrived. We have always in this country felt confidence in the good sense and public spirit of our political masses. The national *ego* is sane, prudent and loyal. We have always, too, because of our insular position, felt secure from foreign invasion. It will be noted that our periodical naval scares were not the fear of invasion, but the fear of losing supremacy—a totally different attitude. We have always, too, owing to our control of trade routes and tropical territory, felt sure of a supply of raw material, but our main security, a security shared with us by all the civilised world (and the decline in the rate of interest was conterminous with civilisation), our main security was a confidence in the development of exact knowledge. Two hundred, or one hundred years ago, the result of the application of a new method in industry was mere guess work. Capitalists would, for a high return, back a new invention. Who can ever forget the misgivings that agitated the country prior to the development of railways? Latterly scientific advance has had all the certainty of a mathematical calculation. We know what is coming next. We can look forward, clear-eyed, and confident, to the future, masters of the material world, with the secrets of nature beside us in a book. The book may be in a strange tongue, but patience and research will solve the riddles of the hieroglyph.

But this supreme confidence, the gift to us of those twin powers, knowledge and patience, may be broken and disturbed. Man is not always wise.

Self-conceit and arrogance, greed or recklessness, may drive us to madness before the book of nature has been read, and unless we learn to take things in their due order, that madness may be upon us. The causes of injury to social advance in the past were pestilence, war and civil disturbance. The former can now be eliminated. War again we have survived. The greatest war in all history has been fought and won ; and, bruised a good deal, bleeding a little, and still breathless, we are looking forward with the sense of a danger overcome, with our civilisation still intact. There remains the third peril. Civilisation is like a game of chess played blindfold with Nature. Victory depends on the systematic advance of the pieces in accordance with the rules of the game. It is all very well to say that the game would be over sooner if we played a little faster. But if we played recklessly the board might be upset, or the game lost, and then we should have to start all over again. Now the rules of the game are economic laws, and the first of all laws is the proper utilisation of forces. The utilitarian laid it down, and it is as true as they believed it to be, that self-interest is the ruling spirit of mankind. Not self-interest in a base sense, but love of home. This force it is which has supplied the motive power of the advance of humanity, this force protected by "security."

Civil disturbance might take either of two forms. It might mean a violent and foolish outbreak as in Russia in which the accumulated wealth of centuries was destroyed and the system of production of an entire empire uprooted and broken. In which the culture, genius and systematic learning of a great people was torn to shreds in scenes of bloodshed and horror. There is, however, another form of

civil disturbance quite as dangerous to civilisation. This might take the form of a war of words and arguments, in which the false and the new triumphed over the old and the true—as if a nation peacefully and slowly progressing along an uphill road were to take the wrong turning. This is the danger that is to be feared in this country. We have, however, a certain guide. It is the true process of evolution. Any cataclysmic change is wrong. The next step must be clearly seen, and to those who are not blind our own next step is clearly seen. It is only those who are half-educated who fail to see the way. By a half-educated man one might sometimes refer to a wrangler or even a professor of economics. A half-educated man is one who cannot weigh evidence and who has lost or never acquired the power of discrimination.

Now our future in a material world plainly hangs on the accumulation, development and preservation of capital. The uneducated man sees this truly and simply. His mind is not distracted by half-realised speculations. His vision, partial though it may be, is still clear, and his meditations on the question are summed up in some such conclusion as the following: "If the mill in which I work catches afire, my job will be gone." He is quite right. The philosopher looks at things from a broader standpoint. He looks to the reasons which caused the mill to be where it is, which caused it to continue in business, and which caused it to be provided with better machinery than it had in its youth. He seeks therefore to continue the operation of those causes. Security is the chief of these.

It was stated earlier in the chapter that the Socialists appeared to be at some pains to bring about results which they, together with all

well-meaning men, would deplore, by obstinately and systematically urging upon us a course of policy which must end in disaster. Look at it in relation to security. The Socialists know as well as anybody that a decline in the current average rate of interest is to the advantage of labour. They know as well as anyone, or ought to know, that the greater the security, as a general rule, the lower the rate of interest. And yet, by the very measures they recommend, by the threats of revolution they raise, by their inflammatory and uninformed language or by their pedantic and stupid mock learning, and more than all by the industrial crises they are continually fomenting, they injure security. They destroy credit. Throughout the haze of doubts and hesitations and worries that beset us to-day, one fact does emerge, which is that if the Socialists would only keep quiet, credit would improve, security increase, and the rate of interest go down. The Socialists it is who are robbing labour. It is they who have forced up the rate of interest and destroyed in twelve months since the war practically all the social progress which had been achieved between 1873 and 1908.

The most direct criticism which can be levied against the Socialists is that they have never throughout the history of their movement shown the least consistency or devotion to principle. Socialism is in fact a predatory movement guided by an unconscionable opportunism, and changes its coat and its principles according to its environment with chameleon-like readiness. A less harsh judgment would say that the Socialist is a dreamer with his thought fixed on the ideal and that he has never yet succeeded in devising a satisfactory road to his City of the Sun. Whichever view is adopted



conveys to us an equal condemnation. The Socialists are in the one case insincere, in the other they are impracticable, and the long history of Socialism proves the truth of both judgments. The systems devised by St. Simon, Fourier and Owen, the school of Marx, the Christian Socialist, the Independent Labour Party, the Fabians, the Social Democrats, the Anarchist Communists, the followers of Rodbertus, the admirers of Liebknecht, the party of Scheedman, the Spartacists, the devotees of Kerensky, the Bolsheviks, the Socialist Labour Party, the Industrial Unionists, and all the rest of the dreary throng—and the list can be multiplied to infinity—represent an endless succession of contradictory principles and internal confusion almost without parallel. They are agreed in nothing but discontent and revolution. They have agreed on no definite programme; their one claim to respect is that they periodically become aware of the absurdities of the methods they are for the moment advocating, renounce them and start another campaign on other lines. One would suppose that even the Socialists after nearly one hundred years of experiment would by this time have awakened to the real truth, that the end they seek is in itself impossible and undesirable, and that were it otherwise it could be reached by any one of the roads which have been proved to lead to nowhere.

The latest school of Socialist endeavour, which enters the lists with that air of conscious superiority and imperfect knowledge which has distinguished all its predecessors, is known as Guild Socialism. At the first glance one is attracted by what looks almost like sincerity, for the Guild Socialist opens his campaign with a remark so true and so just that

it almost suggests the idea that its utterer knows what he is talking about :

“ Modern Socialism in this country has been almost purely a doctrine of the distribution of income. On the question of production it has had nothing to say beyond advocating nationalisation. . . . The Syndicalist returned to Utopian Socialism . . . he demanded absolute control for each body of production. . . . The task of the present is the fusion of these two doctrines. Any theory that is based exclusively on either production or consumption will be one-sided and inadequate.”\*

This is plain truth and plain sense. It encourages one to examine Guild Socialism with some hope of a dawning sanity. The question of production in any society of any type is the vital one. Given efficient and plentiful production, distribution follows automatically. It was said of western civilisation before the war that the problem of production was solved—indeed, one of the hardest worked arguments the Socialists ever advanced is based on this idea—that productivity had been enormously increased through the introduction of machinery.

The main argument of the individualist to Socialist theories therefore ran on these lines :

The individualist can point to a gradual amelioration since the industrial revolution in the lot of the manual labourer. He can show that hours have decreased and wages increased. That the labourer is better fed, better clothed, better housed, more regularly employed, better amused, less hardly worked, healthier and longer-lived than he was before. He can certainly promise you that with

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\* “ Meaning of Industrial Freedom,” by G. D. H. Cole and W. Mellor. London, Geo. Allen & Unwin. 1919.

the continuance of the present system of production this improvement will continue. To this the Socialist replies that he would substitute a different system of production which would speed up these effects by "the socialisation of industry and abolition of the wage system."

This is, of course, merely a change in distribution. And to this criticism of Socialism there has never yet been any intelligible reply. The Guild Socialist now tells us that there never could have been any reply. That the Socialist was wrong, but that *he* can give us the reply.

Let us see what his reply is. He says that his purpose is to :—

(1) Place all industrial power in the hands of the workers (*a*). (2) To create a class-conscious proletariat determined to end the wage-system (*b*). (3) To expropriate the capitalist class (*c*). And that this will be brought about (4) By a general strike. (*d*)\*

Thus he will try to cure what he imagines are the evils of distribution by a cessation of all distribution. He is as bankrupt of any theory of production as any of his predecessors.

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\* "The Meaning of Industrial Freedom." (*a*) p. 8; (*b*) p. 12; (*c*) p. 13; (*d*) p. 41.

## CHAPTER VIII

### SOLIDARITY

ONE of the most curious examples of the superstition that the State is able without limit to give something for nothing arose in connection with the London Underground Railways. For two or three years the cost of running these lines had gradually increased. The higher wages paid to labour, the enormously increased cost of coal, and the long delayed repairs and renewals of line and rolling stock had placed the companies in a very unenviable position. They were losing at the rate of one million sterling per annum. Obviously the only thing to be done was to apply to Parliament for permission to increase the fares. Money had altered in value. The companies were paying £4 in expenses where they had formerly paid £1, and despite the appearance of prosperity caused by the crowded traffic they conveyed, the position was untenable, for like all other railway companies in these islands, the Underground lines had statutory fares. The scheme suggested by the companies was moderate. Their expenses were more than doubled, but they would be satisfied with doubled fares.

The outburst of alarm that followed is very easy to understand. London is an enormous city, some thirty miles by forty in extent, and out of its two or three million breadwinners more than one million are occupied in one small area of a square

mile (the City) in the very centre of it. The vast majority of these central London workers belonged to the lower middle class, a class which has its own serious and peculiar problems. As regards the purely working class the difficulty was not so great. In general they live nearer their work, their wages have increased some way to meet the increased cost of living. There would be hardship to them admittedly in the raising of fares, but it did not mean the tragedy of an entire class as it did in the case of the Central London workers. For these latter cannot live near their work. For years the night population of the City has declined. Shops, offices, warehouses, banks and all the accommodation required for the vast mercantile and financial business of the greatest port and largest capital in the world, have monopolised every inch of room in the City proper. Indeed, the City has burst its boundaries and spreads far beyond them. These central London workers therefore must live some way out. Besides, they are a healthy-minded class, with a tradition of tidy little homes, clean streets and small gardens, and thus for more than a generation have lived miles from their work in the middle and outer suburbs. It must also be fully realised that their incomes have not advanced with the times to anything like the extent of the incomes of the working class, and that the increased cost of clothes—for a clerk or a typist, agent or school-teacher, warehouseman or shopgirl must be better dressed than a manual worker—hit them far harder than any other class. In other directions they are more heavily burdened than the working class. The small middle-class wage-earner lives in what is called a residential district consisting of miles of small houses and villas; the whole of the burden

of the rates is thus thrust almost entirely on the householder, for there is no other source of taxation. In the purely working-class districts the burden of the rates is very largely borne by railways, factories, docks and other industrial concerns, which, though in the artistic sense they may detract from the amenities of a district, do contribute broad shoulders to the burden of the rates. The middle-class worker, too, misses much of the State and other philanthropy which eases misfortune to some extent for the labouring class generally. He is also less secure in his employment. It is all very well to say that a salaried worker is on a month's notice and the wage-earner on a week's notice, and that therefore the former has a better continuity of employment. The skilled artizan has in practice a far surer chance of livelihood than the clerical worker as things are.

At the present time there is still another handicap to the lower middle class, which has not, I think, received full recognition. While the silliest and most misleading thing it would be possible to do would be to disparage the efforts of any class of our nation during the great war it is impossible to deny the conclusion that of all of them in relation to its numbers and circumstances the lower middle class made greater sacrifices than any other. It was, in fact, inevitable that they should bear the burden of the day in greater proportion to their strength in war as in taxation.

The death roll among the middle class is relatively higher than among the working class, and this not in consequence of any lack of patriotism or courage among the working classes themselves. On broad lines a greater proportion of the working class were either exempt from conscription or were refused as volunteers. Railway workers were, it will be



remembered, quite early in the war forbidden to enlist. Only a percentage of miners was taken for the army. The same applied to other trades of manual workers. With the middle class this did not apply. Clerks, book-keepers, shop-managers, tradesmen, warehousemen, accountants, either volunteered or were refused exemption. The entire class was bereft of its younger manhood and the family and economic results have been ghastly. There is hardly a middle-class family without a vacant chair by its fireside. These things have been gallantly and uncomplainingly borne, but tribute must be paid to the class as well as taken from it.

An examination of the economic results will not be out of place, but before coming to that, some proofs of the statements just made will be desirable.

On the decimation of the regular army in France, early in 1915, the front was largely held by territorial battalions who suffered to the full as heavily during the next few months as their more experienced comrades had done earlier. This is an old story now, and we may just dismiss this portion of it with the casual reference that this country has no occasion to be ashamed of its citizen soldiers. Now any man familiar with the composition of an average territorial battalion will bear me out when I say that about fifty per cent of its rank and file are middle class and the rest working class. In London the proportion of middle class was far higher—eighty per cent. would be nearer the truth. Taking the Territorial Army as a whole, this represents about five per cent. of the entire middle class, and 0.5 per cent. of the working class, men, women and children included. At the time of which I

write, the life of a man in France or Gallipoli was worth about three weeks' purchase, and thus before the end of the first year of the war—in the Territorial Army alone—the middle class had been largely denuded of its manhood and crippled by death and wounds. When we add to this the story of the New Army, and the later tale of the conscript soldiers, we get a pitiable tale indeed. Taken as a whole we may say without exaggeration that the middle class of this country has lost by death and total disablement nearly one-half of its available manhood. It is, as a class, as badly injured as Serbia is as a nation. Serbia has lost one-third by death of her total male population. No other class in any nation has suffered to the same extent as the British middle class. This disaster came solely as a result of our method of enlistment.

A social statistician once observed that a war was worse in its effect on a nation than a massacre. In a massacre, the weakly, the cowards, the women and children get killed. The brave men escape, for in popular phrase they meet their fate fighting and not lying down, and are thus left alone until the first fury of the attack has worn off. In a war, however, the strong, the brave and the independent, the pick of the country rush to the firing line and are killed first. And when, in a country such as ours, the principle of voluntary enlistment is adhered to, the intelligent and well-educated first realise the danger and hold the fort until their less apprehensive brethren learn of their country's peril and advance in mass to the arena. This is what happened to our middle class.

It is not my intention here to disparage the efforts of any class of my countrymen in the great struggle now so happily and victoriously accom-

plished. Of the upper class we can say that they did their duty. The English youth of the well-to-do class has a tradition of valour. He is a manly and sportsmanlike citizen, gay, resourceful and gallant. He shirked nothing, but he had not the double peril of his poorer comrade. Whatever happened his family circle would be safe from economic disaster. But our lower middle class, as volunteers, faced the double peril, death abroad and ruin at home. They have borne straightened means, loss of accustomed comfort, death of their sons, break up of their homes without complaint, and with a high and unshrinking pride. No journalist need ever again point the finger of ridicule at Suburbia.

There is one economic feature of this class which must not be allowed to escape us. It is not their custom to rely either on the poor-law or the old-age pensions for provision for their later years. A small insurance policy and some scanty investments rigidly preserved for transmission to the children are their resources in reserve. These are insufficient to keep body and soul together when the days of work are over, and in the vast majority of cases the home of the old people is kept going by contributions from sons and daughters who are out in the world. The death of a son in an average house of this sort is a severe economic loss, and I do not care to think of the multitude of old people, good and loyal self-sacrificing citizens, whose declining years have been not only darkened in sorrow, but also pinched in penury from this cause.

Now when the news of the proposed rise in Underground fares was announced something like a shiver went up. Thousands upon thousands of

the people of London were face to face with the disappearance of their last margin. Others, of even smaller means, regarded the extra burden of £10 or £15 which the increase meant with something like despair. After rent, rates, food, clothes, insurance and schooling were provided for they did not know where the money was to come from. The position was impossible: The first item was that the railways must have more money or they could not continue to run. The second was that the money had to come out of the passengers, and the third was that the passengers had not got it. Obviously the wrong-headed person immediately urged nationalisation. This was absurd. The same problem existed, though on a much smaller scale in Liverpool, Manchester and Birmingham, but it was, nine-tenths of it, a peculiarly London problem. Not only were the numbers involved greater, but the distances were greater also. The London poor often live ten miles from their work, the provincial poor rarely exceed three miles. It would be hopeless in such circumstances to ask the rest of the United Kingdom to help to pay London's railway fares. Where then was the subsidy to come from? From the County Council? They were already putting up their own tram fares, and at least half the people concerned did not live in the County of London. Why should the County of London pay the fares of residents in Kent, Essex, Surrey and Middlesex who contributed nothing to its rates? Even supposing that the various local authorities whose populations were involved combined together and levied a rate for the purpose, or took over as collective enterprise the various means of transport concerned, the deficit would still have to be met and paid for out of the rates, that is, paid by the very

people who were injured by the rise in fares. It is like the stupidity of those who with imbecile reiteration keep on urging nationalisation as a cure for all ills ever to suggest it. For the immediate difficulty of transit in London there is at present only one solution. Those must walk who cannot afford to ride, and they will be wearied and inconvenienced until the dislocation caused by the vicious circle of prices and wages has come to a halt.

Latterly there has been an attempt to persuade these people, to whose wrongs I have here ventured to call attention, to join the Labour Party. Some very spirited addresses have been made pointing out the fancied solidarity of all Labour, mental and manual, and urging the salaried worker to join that organisation which has been the immediate cause of his most bitter injuries. There is not any economic community of interest between the mental and the manual worker, any more than there is between the different classes of manual labourers. The whole theory of the solidarity of labour is a myth, a mere astute piece of electioneering on the part of a thoroughly corrupt and untruthful international party caucus.

The fundamental antithesis in any society is that between consumer and producer. Of course we are all of us producers just as we are all consumers, but we consume things that other men produce. The argument is proved in every industrial dispute which occurs, and the "economic unity" alleged between the city bookkeeper and manual labour was seen to be a myth at the end of 1919, when the railwaymen selfishly, needlessly and callously struck work and, for all they cared, left the community to trudge and starve. A more obvious example can

be given however. We are told that there is solidarity of interest, both being manual workers, between, say, the agricultural labourer and the miner. The antithesis of interest between them is really greater than it is between the mineowner and the miner, for in the latter case both are rewarded by the success of a common industry. The agricultural labourer, however, wants cheap coal. A rise in miners' wages is to him a loss. The miner wants cheap food and a rise in agricultural wages hits him in his pocket.

At the present time this antagonism is concealed from the worker by current catchwords, while the divergence of interest is balanced by the taxpayer. This works out in the following somewhat intricate manner. In consequence of a strong union and a monopoly product (coal for instance), a certain group of workers succeed in forcing their wages up to a high level, by so doing they increase the cost of production, and consequently the price of the product. Another group of labourers—the railwaymen for instance—find their living expenses increased, and raise a cry for an advance. Being also in a sense monopolists, they succeed in gaining what they ask for. That the increased wage is uneconomic is of course to them immaterial. An uneconomic wage being one too high to permit an industry being run except at a loss, and the work being essential, the loss has to be made up by a State subsidy. In other words, the general taxpayer, that is the whole community, is forced to pay the miners' increased wage, by covering the divergence between the miners' and railwaymen's wages. Nobody is any better off, in fact everybody is worse off through inflated values and a consequent fall in exchange.



In dealing with the running of industry under Socialism, I pointed out that though the State could run some industries at a loss, it could not run all industries at a loss, and in the present case we have a precisely similar instance of the economic limitation of the power of the State. The State can cover the divergence of interest in a limited number of trades by guarantee or subsidy, but it cannot cover the divergence in all trades. Consequently, if a complete stage of Socialism were established, the universal antagonism of workers in different industries would be at once apparent, the State and the taxpayer being no longer there to cover the loss. As all remunerations under Socialism tend to equalisation, it is clear that under that system certain sections of workers would be carrying other sections of workers on their backs. It is all very well to say that on account of their "solidarity" of feeling they would not object. They would object and for a very good reason. To get the real effect we must cease to discuss money values and consider it in labour time values. Thus, the agriculturist would want to work as short a time as possible; he would thereby force the miner to work a longer time, and vice versa. There would be a continual seesaw in assessments of labour time between various sections of workers and the only solution would be found in the State fixing arbitrary standards for primarily essential work such as food production. Thus the most necessary part of the population would be necessarily enslaved by the other "workers" who would form a majority and privileged caste. Socialism can only exist by the oppression of minorities.

Eugen Richter, the German publicist, reached a similar conclusion by a much more human

argument. He points out that the iron-workers would assert that theirs was the most valuable work turned out by any section of the community, and that if they did not receive as reward the full product of their labour they would be robbed. It is certain that other trades would not see the matter in the same light, and thus dissension would start, and of course collapse ensue.

In the example we gave of the conflict of interest between railwaymen and miners, the thoughtful Socialist would at once seize on a certain point in order to controvert the argument. "Yes," he would say, "under existing society what you say is perfectly true. The railway servant is indispensable, and you confess yourself that an economic wage does not give him the full worth of his services. That would not apply under Socialism, when we should abandon the idea of exchange value and consider labour value or use value only." This is quite beside the point. If we consider the community as a whole, exchange value is the measure of use value. Under existing society there are discrepancies, which average themselves out, and thus though individually use value and exchange value are not identical, socially considered one is merely an expression of the other. In the example I gave, the miners being first in the field had appropriated part of the wages, on their own showing, due to the railwayman, and therefore it was they, and not the wicked capitalist at all, who "stole the surplus value."

The establishment of Socialism must indeed emphasise the divergence of interest between different classes of workers, and there is unfortunately a real example of the logical development of self-interest under Socialism, and not

merely an imaginary example such as that called up by Richter. In 1917 the Empire of Russia was overthrown by a revolution. For a few months the State was held together by means of a provisional government under Kerensky, and at the beginning of 1918 a second revolution was accomplished, the moderate Socialist Government was swept from power and the Communist-Anarchists, Lenin and Trotsky, inaugurated the Bolshevik power. There was at once trouble with the Ukraine.

The Ukraine is a large area of Southern Russia. As it exists to-day, it is some 1,100 miles from east to west, and about 600 from north to south. Its area is considerably greater than that of Germany; its population is about 25,000,000; it includes in its boundaries two of the greatest and most celebrated cities of Russia, Odessa and Kieff (each of them exceeding half a million inhabitants), and contains practically the whole of the famous black-earth region. The black-earth is a soil of unsurpassed fertility, and on it the greatest corn-crops in Russia are grown. The Ukraine, for Russia, is well supplied with railways and navigable rivers, is milder in climate than the rest of the country, and by many degrees is the richest area of the whole Empire.

Of course the inevitable happened. When the central power was once destroyed the Ukraine held itself aloof from the rest of Russia. Its inhabitants were numerous. They had dockyards, arsenals, factories and food, by themselves they were wealthy; thrown in with the rest of Russia they were poor, their country was an empire in itself, and they promptly declared their independence. A wealthy, numerous and homogeneous population, strong

enough to defend themselves, quite conscious of what promoted their own welfare, and quite determined to preserve their independence now they have got it, they grow more apart from the rest of what once was Russia with every month that passes.

The moral is too obvious to require any elaborate explanation. Equality is all very well if you gain by it, but very few people would consent to lose by it. Even the common bond of nationality, mutual sacrifice, Socialism, and the revolution were unable to keep the Ukraine bound to Russia once it became clear that the immediate economic prospects of the region would benefit by separation. And the wise answered, "Not so, lest there be not enough for us and you: Go ye rather to them that sell and buy for yourselves." They separated. They destroyed the prosperity of Bolshevik Russia, which cannot live long without them and desperately wages continual war on their frontiers in the hope of capturing their stores of grain, they destroyed Socialism within their own borders, and they once and for all destroyed whatever hopes yet remained for the establishment of international Socialism. If prosperous Ukraina will not share with Muscovy, the wealthy West will not share with the pauper East. To come from great things to small, it is Kensington which resists the equalisation of rates, and Poplar which desires it.

While discussing the question of Russia it will be convenient to add a few words about the situation there. The official Labour Party and the usual run of Socialists here affect great sympathy for the Bolsheviks. It is a curious attitude, and goes to prove the ill-informed and purely partisan spirit of our British Socialists. It proves, however, what I

have endeavoured steadily to maintain throughout these pages, that the rank and file of the Socialist Party here are revolutionaries, and not reformers. They care nothing about the economic wrongs of anybody, but they have, as the Bolsheviks have, the mania to uproot and destroy. It is an attitude to which we are well accustomed throughout history. In nations driven desperate by suffering and actual physical starvation—and not merely by widespread discomfort which is the only trouble here—the irreconcilable succeeds. When France was living on boiled nettles and had no fowl in the pot on Sundays, when Russia was fighting with wooden clubs against German artillery, when England lay a dying from vacant fields and black plague, revolutions came. But revolutions will not come to England while her capitalist organisations flourish, or so long as the infinite graduation of economic and social level obtains which makes all attempts at classification of our society so difficult.

Better informed Socialists than the British variety, men like Spargo the American, and Bourtzeff, condemn the Bolsheviks as false to Socialism, as tyrants and oppressors. When one thinks, too, of the lip service which was paid to Kerensky by our Labour Party here, and as soon as the man fell and was unfortunate, of the adulation which was offered to his bitterest enemies, it is impossible to escape a feeling of disgust. It is in the extravagance of this new found sympathy that they fail to read the real lesson of the gigantic Russian experiment, and in their desire to glorify the Bolshevik they slander their own country and blame the appalling conditions of the Russian people upon the blockade of the Allies !

For the conditions in Russia are appalling. The

riot, outrage, murder, tyranny and disease are trifles compared with the real disaster that has overtaken her. That disaster is the total inability of the Russian to feed himself on anything like a proper standard of life. The Bolsheviks themselves freely admit this. To blame the blockade is an obvious course, but it loses all force if we examine the special conditions of Europe. Before the war Russia could and did provide foodstuffs for more than twice her own population. Why cannot she do so now? Why cannot she even feed herself?

Russia is a primitive and thinly peopled country. She has at the back of her a huge fertile and almost uninhabited region of four times her own area, of the same general character, fertility and climate as Canada, the granary of the British Empire. Even granting the defection of the Ukraine, there is ample arable land in Russia for ten times her present population. Her agriculture is carried out by peasants in primitive style, by village-made implements. It would be better for her to use agricultural machinery, but she never had the need to any great extent. And yet, in a land which was one of the granaries of the world under a system of agriculture with which the blockade has in no way interfered, wheat flour is unobtainable.

The explanation lies in the very principle which brought about the declaration of independence by the Ukraine. What occurred there in a region the size of an empire (and which indeed in the time of Charlemagne was the wealthy and powerful kingdom of the Khazars) has taken place all over the remnant of Russia in the village communes and *mir*s. Immediately upon the fall of the Czardom the peasants seized the land formerly belonging to the nobles and added it to the fields they already owned



of their own right. During the Kerensky Government they continued to hold it, but when the Bolsheviks seized power, the latter explained that the peasants had not any right to the land, that land was "a great means of production," and therefore the property of the community. To this the peasants paid no attention. The next step was for the Bolsheviks to insist on the "socialisation of the means of production distribution and exchange," but a very short experience compelled them to abandon this attitude. As the dispute stands now the peasants hold the land, they say and believe it to be theirs. The Bolsheviks do not contradict them, but "officially" consider it to be social property. The next step is characteristic. The peasants have discovered that if they produce more grain or other foodstuff than they can use in their own households, the Red Army, accompanied by Commissaries, comes and takes away all their surplus without payment. This is putting into practice the Socialist or Bolshevik theory that all surplus value is the property of the community. The peasants replied to this again in the most practical way. Realising that if they produced more than enough for themselves they would neither keep nor be paid for the margin, they very naturally ceased to provide any margin. There is therefore nothing to spare for the towns, who can live on cats and dogs for all the peasants care.

It is immaterial what process of reasoning we adopt or what experiments we try, the conclusion of Socialism is always the same, and that is a reduced standard of production. One is irresistably reminded of Mr. Midshipman Easy's triangular duel. Mr. Easy, the capitalist, took advantage of his position, Mr. Biggs, the average citizen with a

sound sense of rough justice averaging itself out in the principle of "shot for shot and damn all favours," and Mr. Easthupp, the purser's steward, a labour representative before his time, who wanted to shoot without being shot at.

It is from this conflict, not so much of economic interest, though that is real enough, but of ideal, that we get the total impossibility of any amalgamation of political effort by the middle class, or brain worker, and manual labour as we know it to-day. Granted that there is, in the main, a great majority of both classes who are all for the principle of "live and let live," and average contentment with slightly improved conditions—how slight it is is a marvel to believe, for it is the odd five shillings a week and steady prices which makes all the difference—it is in the expressed opinions of both classes that we find the distinction. The expressed opinion, grossly misrepresented, of the working classes is given by the Labour Party. Now the Labour Party is unquestionably a Socialist Party. On every occasion it gives its official adherence to nationalisation, and the middle class or brain worker just as invariably gives his vote for individualism, and this for a very sound financial reason. The Labour Party is out to get something for nothing out of the rates and taxes, the middle class knows perfectly well that it would have to pay the something for nothing. There is still another opposition of interest. The Labour Party, as a party, is a supporter of the strike weapon, the middle class not only has its intelligence revolted by the constant resort to such a silly, brutal and wasteful method, but since the war it has paid the increased wages that have been forced on by the strikes, and is inconvenienced and irritated by the strikers

themselves. The threat of direct action, defeated by the wise patriotism of the Trade Unions, did not draw the classes nearer together. Every one knows quite well that the supporters of direct action are the militant sections of the Labour Party organisers, and no class, particularly so well-educated and shrewd a class as the middle one, is likely to approve a weapon it cannot use itself, and by which it would be the chief sufferer.

On the other hand, it is impossible to escape the conclusion that Labour has injured itself by its alliance with the Socialists. There are three main groups in what we call "Labour." (1) Unorganised labour. This represents considerably more than half of the working men of the kingdom. A small minority are Socialist. (2) Organised labour, with a membership of about 5,000,000, of whom considerably less than half are Socialists. (3) The adventurers and hangers-on of the labour movement, Fabians, professional Bolsheviks and sensation-hunting clericals of all sects. There is so much yet to be done in raising the lives of our humbler brethren, both by those who are more fortunate and by them themselves, that I personally find it exasperating to see the whole road blocked by that dreary citadel of sham learning and false discussion, the Socialist theory. It is impossible to discuss or work at any research for really advancing wealth and prosperity for all with that monstrous edifice still in the way. To-day, instead of attacking our social problems like reasonable men, we are still feverishly engaged in what at best is a mere academic discussion, and what at its worst is a breeding ground for those germs of social anarchy which are the chief peril of every civilised society.

There are many questions on which the middle class are at one with the working class, such as the proper adjustment of the burden of the income tax, and the abolition of educational privileges, but adequate discussion of these is out of the question so long as the official voice of labour persists in treating them as manœuvring ground for the advance towards Socialism, and refuses to regard them as issues standing by themselves, the proper adjustment of which has to be made from time to time as circumstances demand, and which involves no deep-seated principle at all.

There is a further wide breach of interest between two sections of the working-class population which, though peculiar to the present time, is wide-spreading in its effects, and points to a natural barrier between sections of the working-class population of pregnant importance. This is the barrier between the skilled and unskilled labourers. The difference between the ex-soldiers and the Trade Unionists arose during the war. It is needless to insist now on the wants of the soldiers in the field. Their principal wish, especially during the early years of the war, was for an illimitable supply of munitions. Among the largest portion of the army, the infantry, this was particularly noticeable. What they wanted was adequate "artillery protection," and while British shells were rationed out on a wholly inadequate scale they were the victims of increasing bombardment from German guns. The British Government, after its reconstruction, made splendid efforts to put this right, but both before and after the reconstruction the efforts of the Ministry of Munitions were hampered by a continuous murmur from labour. There was not, it is true, much actual unrest in strikes, but the Ministry was undoubtedly badgered and its energies

defeated by the attitude of labour. Continual threats of cessation of work, troublesome shop-stewards and increasing complaints coupled with an active political campaign by the Labour Party made things uncomfortable and unsettled. The Labour Party, as no really patriotic citizen is ever likely to forget, was the one political organisation which did not subscribe to the political truce during the war.

Naturally the views of the soldiers found their reflection in the Press at home. "What have you got to complain of?" was the effect of their inquiry to the munition-makers. "You are at home in safety and comfort on high wages, while we are living in filth and mud, and risking our lives for a shilling a day." The reply of the Labour agitators was that they were looking after the economic interests of the soldiers and creating a good standard of living for them when they came home. Nobody quite believed this excuse, which was hypocritical enough, and on the basis of "five for myself and one for you," but it served, for soldiers in the field have other things to think of. However, the real quality of the excuse appeared at the end of the war, for when the soldiers did come home, they found in thousands of cases that it was impossible for them to get work as the Trade Unions were closed to them. The monopoly had to be preserved. The fear was that if there were too many men in one trade there was a risk of unemployment.

As I have tried to point out, this is merely one aspect of the old divergence of interest between the skilled and the unskilled man. The learning of a skilled trade is a matter of apprenticeship, and the skilled unions not only insist on the full term of apprenticeship being served, but seek, and in many cases succeed, in limiting the number of apprentices

taught. This they do so that their trades may not be overcrowded. The consequence is that a very large portion of our industrial population are doomed from birth to unskilled and casual employment. Of course this is a hopelessly wrong-headed and uneconomic way of looking at things. It is, in addition, trust-mongering of the most immoral description—an attempt to keep the nation poor for the favoured benefit of a particular privileged class. The greater number of skilled and competent workers a nation has—provided they are competently managed—the richer it is—the greater its consuming power, the more work it makes. Unemployment in our skilled trades is practically non-existent. The question was expected to be acute during 1919 in consequence of the demobilisation, but among the Trade Unions making returns the average rate for the year was only 2·4.

The unemployment rates for the past fifteen years have been as follows :—

|             |             |             |
|-------------|-------------|-------------|
| 1905 .. 5·0 | 1910 .. 4·7 | 1915 .. 1·1 |
| 1906 .. 3·6 | 1911 .. 3·0 | 1916 .. 0·4 |
| 1906 .. 3·7 | 1912 .. 2·4 | 1917 .. 0·7 |
| 1908 .. 7·8 | 1913 .. 2·1 | 1918 .. 0·8 |
| 1909 .. 7·7 | 1914 .. 3·3 | 1919 .. 2·4 |

Of course the figures during the years 1916, 1917, 1918, are abnormal, because people went automatically into the army if they had nothing else to do, but taking the average of the fifteen years we get a figure of 3·2 per cent. This means that on the average each man was unemployed for ten days in a year—or in other words, that he had a fortnight's holiday. As I have said elsewhere, our greatest need is skilled men—there are not enough to go round. There never will be enough to go round,



for the power of consumption is always increasing. The real unemployment question is not among these skilled trades who desire to close their ranks to further additions, it is among the unskilled, who are debarred from cultivating the powers which nature has given them. There must always be some unskilled men, for they are necessary for general labour, but in our country for a long time past the correct proportion between skilled and unskilled has been disturbed by artificial restriction. We want internal free exchange at home in skill, just as much as in land, or the interchange of products. The necessary proportion would be maintained from natural reasons. We have here yet another example in front of us of the great and immutable rule, that all interference with the liberty of the subject is bad, whether by Kaiser or by Trade Union. The theory of solidarity is founded on a meanness. Let us give things their right names. There is no difference between "class-consciousness" and snobbery.

## CHAPTER IX

### APPLICATIONS

WE find on examining Socialism historically, that it has constantly changed, not merely in its details, for that would be but inevitable and reasonable, but in its main theory. Utopian Socialism, whether of Owen or Fourier, is but a voluntary association for mutual co-operation. It is based upon a false theory, but inasmuch as it is voluntary, and involves a personal bond of loyalty and affection, it is not unworthy of a sympathetic thought. An association in which all give their all, whether much or little, of their own free will, may be foolish and impracticable, but it can never be base. But modern Socialism which involves compulsion, which is in its essence a raid by the "have-nots" upon the "haves," the moving spirit of which is class hate and lust of plunder, is both impracticable and base. It matters not whether the compulsion is advocated by the ballot-box, as advised by the Fabian Society, by armed revolution, as urged by the Marxians, or by the general strike as preached by the Guild Socialists and industrial unionists, it is alike suicidal and destructive. It is a mere gospel of robbery with violence, and involves the impoverishment of a whole nation, if persisted in, down to the level of the beasts. In its achievement all the accumulations of past ages, all the culture of a thousand years, all the slowly acquired morality of æons of evolution must disappear and be lost.

Those of us who defend the capitalist order of society do so in a sure and certain knowledge of the eternal truth of our principles, but we do not deny that the condition of society in our country to-day is not perfect, and that there are not many and grave evils demanding redress. These evils are not as the Socialists say they are, the natural results of the capitalist system of society. They are a legacy of debt bequeathed to us by past ages. In early times all mankind were poor. Increasing civilisation or what Bagehot calls "verifiable progress" means the raising of a section of the population above the poverty line and the continual increase of the numbers of that section. These people are what the late Edward Bellamy called the "secure" class, all the other part of the population are the insecure class. It is a good classification. Now no civilisation is really progressive unless this secure class is constantly on the increase both relatively and absolutely; the later history of Great Britain is a history of that kind—a history of the growth of the number of people either financially independant or possessed of reserves great enough to place them in all human probability beyond the reach of destitution. Our social problem to-day therefore is two-fold. In the first place we must convince our people that the principle of private enterprise, which has been the essential condition of all progress since history first began, does furnish us with a gospel of hope. In the second place we must justify that hope. A nation in which the whole of the non-vicious population is secure is by no means unknown in history. Its creation in the past has been by no means an insurmountable problem, its creation in the future is, with the modern conquest of material resources, a matter for confident hope.

Much has been written within the past few months on the subject of industrial unrest, and thoughtful patriotic men of all classes have sought for a solution, more or less immediate, of the labour problem. Truly the situation is sufficiently serious, for there is no small danger to British supremacy and prosperity if the simmering disaffection and internecine economic conflict at present in progress are not cured. Standing as we do on the threshold of a boom in trade, every wise man must feel bitter regret that so much of our strength should be wasted and opportunities missed, in consequence of the fairly orderly, but none the less severe and continuous struggle between capital and labour of which we are the victims. The leaders of the great Trade Unions realise this probably as much as any of us, but it is beyond their power to allay the real source of the discontent. It is for this reason we have the modern tendency of the rank and file of a Trade Union to seek to override the decisions of their own leaders. The discontent is real and abiding; the men themselves have failed to put a name to its cause, and as is the case in popular unrest always, they express their discontent in inconsistent and illogical ways.

It is usually assumed that most of the industrial unrest is caused by disputes about hours and wages. This may be the avowed cause, but it is very far from being the real cause. Again, it is often assumed that labour is trying to secure the control of industry. This too is incorrect, though getting nearer to the truth. Most working men have a very considerable measure of sterling common sense and a very attractive modesty. It is only the aggressive and ignorant young blackguards who, with a body of smug and pedantic professional

orators, form the spearhead of the Socialist movement, that we get the blatant and destructive nonsense which is bidding fair to bring the entire working-class into disrepute. Most working men know perfectly well that they in the mass, and most of them individually, are incapable of controlling and managing an industry with success. Even the agitators know it subconsciously; they profess, however, that the incapacity of which they cannot fail to be aware, does not arise from their own lack of ability or knowledge, but allege that it is a consequence of "the capitalist environment."

What the real grievance of labour is, a grievance that is rarely put into words, that its holders themselves do but half realise, and readily acknowledge when it is formulated to them, is a grinding sense of insecurity. If one searches one's soul one realises how human and universal this feeling is. Of course, in the world we are none of us secure against misfortune, illness, bankruptcy, loss of friends or death. We most of us have our secret dreads and business anxieties. The average working man, however, from the cradle to the grave, has all these and one more. His economic position is that he has his week's wages, and his modest household goods, and nothing else, between him and destitution. Of course, this uncomfortable situation is not limited to him. There are any number of citizens quite as worthy as the working man, of better education, of quite as high ideals and of even narrower means. These, however, in spite of some hopeless and melancholy cases, because of their better education or adaptability, generally save themselves in the end and struggle into some sort of economic security. To speak quite candidly, therefore, one is bound to confess that the economic

status of the working man is to some extent his own fault, or at least is what it is because he is what he is. He is human, with certain well-defined national characteristics, which include a certain seemingly incurable laziness of mind. He is steady, industrious, skilful and conscientious, but absolutely refuses to think for himself. To a certain extent he is behind the age, a struggler in a society that has advanced beyond him, with new devices and methods of self-protection of which he has never heard, wondering blindly why he seems to be ill-used. When he is articulate he says that his fate is the result of class-government, but omits to reason of what class consists. A social class is an unformed body of people who think and act along certain lines peculiar to themselves. There are, if we accept this definition, two classes in this country—those who are abreast of the times, and those who are not. From the first of these classes the working man has excluded himself, because he has refused to avail himself of a widely open door. Many examples could be given of this, illustrations of how the Socialist movement in particular has kept him away from that open door.

One of the favourite lines of attack by the Socialists is to assert that the labourer of to-day is worse off than his predecessor some five centuries or more ago. In a certain sense this is true. In another sense it is not. If we judge the matter by power of present consumption, it is not true. The labourer of to-day has luxuries and varieties and pleasures far out of reach of the older labourer ; he is probably better lodged, better clad, better fed, more guarded against disease. His life is longer. But in spite of all these great material advantages he is worse off in another way in that he is less



secure. During recent years certain things have been done to render him more secure. Such things as the Workmen's Compensation Act and the Old Age Pension. The first of these is an ordinary act of social justice, the latter probably the worst scheme that has ever been devised for achieving a worthy object. The mediæval labourer on the land ran no risk of unemployment, no risk of homelessness. He was tied to the land, but the land was also tied to him. When he was ill, or old, or past work, he sat in his chimney corner until he died, or pottered about, fairly contented, sure of his ale and his simple meals, a picturesque old tatterdemalion, the gaffer of his hamlet, until he died. The present-day labourer has always before his eyes the spectre of unemployment. His labour is better paid, but it is also more speculative. He fears, not entirely with good reason, that he may lose his work through the prejudice or caprice of his superiors—in one word, like most of us to-day, he worries and fears. It is not altogether a matter for surprise that he has not defined this to himself. Better educated people know worry when they see it and forget it, but the average labourer does not give names to his diseases. He expresses his worry in bad temper, and his bad temper takes the form of industrial unrest. It must not be forgotten that most of us shirk responsibility. We want to work and earn our money, but we cannot find the work for ourselves. We are good servants but incapable of directing our own destinies. If some one capable gives us a task to do, we do it well, but if we are not given our work we don't do it.

It is to this very characteristic of the bulk of mankind that Socialism makes its appeal. All the Socialists talk a lot about the superior organisation

of the State, and how it will take the load off their backs, of how the State has an unlimited reservoir of work (independent of financial circumstances) waiting to be done, and, therefore, the request to work has only to be conceded for all their worries to be removed. Very few of them however, visualise themselves as originating and personally shouldering the solution of these problems. All they think is that somebody will do it and that they themselves will be safe.

Industrial unrest at the present time is something more than war-weariness. The high prices, perilous inflation and quality of unreality in our commercial situation has given the working man an attack of nerves. On the business community this fear is less pressing. It is accustomed to risks; it understands credit, and with high courage is preparing to carry the community through on its back. But the labourer is as regards his own livelihood on the side of safety. The peasant mistrusts banks and hoards his money in a mattress; our own working classes, as a class, have no knowledge of other securities than gilt edged, probably no experience of interest beyond interest on deposit in a savings bank. "Let us," they say in effect, "get all we can before the crash comes." The first thing the frightened bee does is to raid the storecomb. Of course, this attitude of theirs is quite wrong. It does the country no good; it does the labourer no good. Fear never yet did any man any good, but it is not absurd, for it is understandable.

To accuse the capitalist system, as a system, of causing this insecurity, as the Socialists do, is wrong. They assert that because the worker no longer owns the tools of his trade, that he is, in

their phrase, "divorced from the means of production," that, therefore, he is at the mercy of the capitalist and insecure. This is by no means true. He is not insecure because he is "deprived of the means of production," but because he has no reserves. Under Socialist administration, which implies popular distribution and management, there would be no reserves either, and the whole nation would be as insecure as the labourer. As General Walker said, "The proper place for the labourer's wages is in his own pocket." It is only when they are there—and to a certain extent his future, as well as his present, wages—that he can be either secure or free.

Much has been written in praise of liberty and much has been forgotten. At the present day we are inclined to forget the importance of moral freedom, while the public is agitated by constant appeals for economic freedom. To a certain extent the two are related, but they are distinct, and of the two moral freedom is infinitely the greater and more important. We stand indeed at the present time in danger of sacrificing our moral freedom in the vain attempt to secure economic freedom; vain, because no system, economic or political, erected on the ruins of free will, could possibly be permanent. That economic considerations should not be allowed to influence personal honour is a principal merely consistent with human dignity, just as the reverse is inconsistent. The clerk who resigns a well-paid berth in consequence of degrading personal relationships, the owner of a block of flats who refuses to allow them to be used as brothels, the Trade Unionist who fights a losing strike for a point of honour, the soldier who leaves a comfortable home for the terrors of the battlefield, the capitalist who fights

a trust to keep his business independent rather than be bought out, the wife who keeps a home going with a drunken husband, are all cases in point. The motives are just as infinite in number as the circumstances of a complex world, and the ideals of a multitudinous human race are infinite, and strange as it may seem to the purely practical mind, the history of our race is one long record of the almost unanimous sacrifice of economic interest for an ideal. The Socialists sometimes urge this in support of their creed, but fail to discriminate between two entirely different view points. They maintain that the individual will sacrifice his economic interest to the State cheerfully, on compulsion. That he will never do. He will sacrifice his economic interest to his own sense of honour and bear bitter resentment to those who placed him in such a vile dilemma. There are many reasons for this, but one of them will serve. Personal honour is essentially individual. If one person feels it right, whether from temper, conscience, insult or any other cause, to cut off his nose to spite his face, it does not follow that any other person would go to the same lengths for the same reason.

Even assuming then that collectivism would result in immediate economic betterment for the bulk of the population, it would certainly result in either moral degeneration, or speedy collapse. The probability lies in the direction of collapse, for the impossibility of satisfying everybody at once, the intolerance and impatience with which even the comparatively small government restrictions on private life were received during the war period, offer little hope for the obedient reception of the infinitely greater restriction inevitable under a completely collectivist scheme of society. The

attempt to urge the Government during the days of shortage during the war to give some sort of minimum supply was an entire failure from the standpoint of the public satisfaction. The impossibility of making accurate estimates, the constant alteration of scheme, fluctuating prices, plenty here, scarcity there, irritated and dismayed the public. No blame attached to the Government. They carried through an almost impossible task, but they did not add to their popularity. In order to govern well to-day a Government must be popular. It is just this desire, to know exactly how they stand, with a guaranteed minimum, which attaches so many people to the Socialist ranks. If they expect a guaranteed minimum under Socialism they are living in a fool's paradise ; supplies must vary, harvests fail, estimates be wrong under collectivism as to-day, and the promised security under this scheme of society is seen to be an illusion.

Besides, the international nature of Socialism must not be forgotten. All kinds and conditions of this shade of opinion, from Owen to Lenin, have laid it down that it is an international scheme, and in the absence of internationalism must fail. This but adds to the uncertainty. What security, what finality, have we in a worldwide scheme, under which all men, Germans, Russians, Chinese, Indians, English and Americans shall assess the crops of the world for equitable distribution. As well try to drive four-in-hand, a cow, a camel, a horse, and a mule and expect steady progress and absence of anxiety among the passengers.

These considerations, however, are somewhat wide of our point, which is to ascertain how far the needed security can be given to the labourer. It

was stated above that numerous examples could be given from history of States where all the citizens were secure. These, however, will furnish us with very little guidance, beyond that of an example of happiness and patriotism and some realisation of what the ideal condition of mankind must be. Little guidance, indeed, for these States were mostly small and with one exception were agricultural—this being Greece under the Byzantine Empire during the ninth and tenth centuries of the present era. We know however so little of the economic arrangements of Greece at this period that she furnishes us with no experience in the details of administration.

It will be found, therefore, that these nations which have furnished us with known facts of prosperity and security on the part of the mass of the population have been agricultural and have further been cultivated under a system of peasant proprietorship. It is from these we derive these pictures of "a bold peasantry, its country's pride," of the humble though prosperous cotter, of the dyllic family life and the folly of leaving the peace and prosperity of the country for the perils of great towns which have coloured so much of our literature and tinted so many of our dreams. It is from these, too, that we derive that traditional attachment to, and hunger for, the land which is the passion of the Englishman and from which the reason arises which gives any cry of the "land for the people" such vast political force. Our problem, however, is different. We are a commercial and industrial and not an agricultural people. Our vastest problem, that of supporting 50,000,000 people on an area, including good, bad, and indifferent land, of not more than 121,000 square



miles, or about one and a half acres per person, is impossible of solution if we attempt to be self-supporting in foodstuffs. With such a dense population, indeed, the milk question alone is a severe one, and the prevalence of dairy farming in the British Isles arises from national necessity and not from a desire "to drive the people off the land." It is not desirable to import milk. Nobody likes tinned milk. Our population therefore cannot seek in the majority of cases that road to security which lies through agriculture. The Englishman might and ought to own his own house and garden; he cannot, in the mass, live off his own land.

Now, taking the peasant states as those which furnished the mass of the people with the greatest measure of happiness, prosperity and independence, we must, on seeking to extend a similar fortune to our own people, inquire what were the essential and abstract economic principles involved in them. These I think can be stated very simply. The citizen owned his land and his tools. He lived by his labour. Thus his income from his toil was enhanced by the rent of his land. If he could not work either from age or from infirmity, he could still receive an income, for others would either by hire or share of the produce, work his land for him. He was thus never quite destitute, and was indeed a capitalist although a labourer.

What we have to do in England is to seek to apply these principles to the lot of our own working population. We cannot, for the reasons given, constitute them a nation of peasant proprietors, but we can by various expedients adjust our economic conditions so that the industrial worker is placed relatively in the same position with respect to industrial production as the peasant proprietor

stands with regard to agricultural production. That this would enormously strengthen the State cannot be controverted.

At the time of the great Reform Bill in 1832, when discussion ran high on the merits and demerits of the political changes involved, it must be observed that there was no proposal to alter the constitution. King, Lords and Commons were still to rule the realm, and the political virtue in a combination of monarchic, aristocratic and democratic elements so pithily eulogised by Blackstone, and believed in by all as the "British Constitution," was attacked by few. It has always seemed to the writer that the strongest argument put forward by the party of reform was "that the constitution must be made secure by increasing the number of its defenders." To a very great extent this was true, and I think it would be even more true if we were to say that we must make secure the future of private capital by increasing the number of private capitalists.

I once asked a very advanced Socialist (and an honest thinker), an engineer's fitter, which he would rather have, an old-age pension of ten shillings a week at seventy or a lump sum of £500 which, invested in War Loan, would give him an income of the same amount as the pension. Without hesitating, he selected the capital sum, and his reason was, not that it was his intention to spend the money (and the value of an annuity of £26 is only about £200 at age seventy, but he was not enough of an actuary to realise this), but that it would give him economic independence. If a man of that school of thought confesses his ideal to be self-contained independence, we can realise how little there is in Socialism to attract the ordinary man. They are only Socialists because they think

they can get security by no other means, for the average poor hate the State as they hate the Poor Law.

We can easily see that in an industry in which the worker works to complete his income and not merely to gain his entire subsistence, the power of competition is enormously increased and the tendency of prices to fall is accentuated. This can be made clearer by an example. Let us suppose that a firm is engaged in making pumps. It sells its pumps at £6 each. The labour cost per pump is £3, other expenses £1 15s., and profit 5s. per pump. The interest on the firm's capital is £1 per pump. The average wage paid by the firm to its workmen is £3 a week. That is, it takes one man one week to make one pump. From their accustomed habit, the standard of living in the district and the other incidentals which help to fix wages, it is just about possible to live humanely on this wage. Severe competition threatens the trade. An American pump equally good is put upon the market at a price of £5 10s. The English firm is threatened with loss of its trade, its workmen with unemployment. Even by sacrificing the profit of 5s. (the wages of management), it cannot face the competition. Its position is weak.

Now suppose that each workman is financially interested in the firm. That his investment therein brings him in a dividend of 15s. per week. In such a case every man employed would be willing to work for £2 5s. per week rather than be unemployed, and he would be able to do it, without reducing his standard of living. The firm could then sell at £5 per pump and beat the American. Prices of pumps and of the things influenced by pumps would fall. No one would be worse off. In a firm constituted

on this basis, wages could be arranged on a sliding scale in accordance with the profits and the state of trade, and such a firm would be almost invulnerable in foreign competition. In a sense the workman has his guaranteed minimum of livelihood, his greater comfort depends on his own efforts, and his security is made certain for old age and sickness. He has, in short, a small steady income or a fund on which he can rely in the event of domestic misfortune. The effect of "private means" on wages is well known, in the case of women workers. The married woman, or girl living at home, is always an unfair competitor with the woman entirely dependent on her own efforts. An industry run on the lines I have indicated would be an "unfair competitor" in international trade too.

In all attempts to classify society, we find one common error, and that is the confusion between financial and social classification. Socially, the student on a pound a week, or the officer on £200 a year, might belong to the upper class. Financially he would be included in the lower. This in itself is a healthy sign. If we treat the economic body politic in imagination as a kind of pyramidal structure, two kinds of social division are possible—horizontal and vertical. If the national economic pyramid is divided horizontally, we do get a position in which a real class war is possible, that position which Disraeli in "Sybil" described as the "Two Nations" in which the rich have one social ideal and the poor another social ideal. If, on the other hand, we have a vertical division, in which men of all degrees of wealth are comprised in all degrees of social classification, we get a condition of natural stability in which sympathy between class and class is not only

possible but to be expected, where the poor are acquainted with the qualities of the rich, and the rich with the needs and desires of the poor.

There is, however, another classification which ought to be adopted in order to get an accurate picture of the English nation to-day which has been elsewhere alluded to in these pages, and that is classification by era. All attempts at social reform will be rather a curse than a blessing if this fundamental fact is forgotten. Setting aside the purely superficial developments of modern inventions, such as railways and telephones, which have modified our manner of life rather than our habits and instincts, it will be found that the population of the British Isles represents all varieties of civilisation from the purely barbaric up to the twentieth century product of civilisation. The fault of the reformer is usually that he applies the doctrines of the latest era to a population that has not yet emerged from the preceding one, that, in fact, he puts new wine into old bottles. In the question of the reform of the drink traffic, so much to the fore at the present time, we see this very plainly. The best products of civilisation, the thoughtful and informed student, the highly skilled artisan, the refined and kindly lady, do not drink to excess. They have other views of social hilarity. Their grandparents of the eighteenth century had a more convivial spirit, and this tradition of hospitality is still one of the habits of a very large section of our people. Any attempt to dragoon it is an outrage as vile as the violations of the religious instincts of the primitive Hindoos would be by a starchy Indian administrator intent on the imposition of counsels of perfection. People must be taught better, not made better.

The evolution of a society proceeds at different accelerations with respect to its varying sections, and one of the greatest difficulties before a country in a rapid state of transition is that the very fact of imposing modern standards on a people is apt to make them inefficient subscribers to a new civilisation instead of valuable members of an old one. In other words, the substitution of modern methods is apt to destroy old economic resources. There are innumerable instances of this throughout our history. Perhaps the most important was the transition from hand to machine tools in what is called the Industrial Revolution. A much more modern and purely temporary incident of the same kind was the demobilisation which followed the conclusion of the Great War in 1918. What was called the "Out of Work Donation" for munition workers and soldiers was an attempt to bridge over the dislocation. It was probably absolutely right in principle. In normal times the scattered individual cases who suffer from destroyed economic resource can, given sufficient adaptability and energy, bridge over the transition for themselves; but in a dislocation so prodigious as that of the year 1919 special measures are required.

The population of Great Britain has generally in the past, for economic purposes, been classified in four groups: The Submerged and Destitute, the Poor, the Middle Class, the Rich. I do not like the arrangement, and to my mind it does not represent by any means a true picture for our consideration of national problems. The following, whatever may be its merits as a classification, fits in better with the argument. The Vicious and Insane, the Destitute, the Comfortable, the Luxurious, the Stately. Now the first mentioned of these



classes we must regard as that poor which we must have always with us. Its elimination or reduction depends on other than economic investigation. It represents the ash of the furnace of civilisation. No doubt when we know more it will be reduced, both relatively and it is to be hoped absolutely, in number, but it will always be there. Just as these unfortunates represent the sediment of our national life, so there is another group—the froth. We are all of us aware of the foolishly extravagant, the ostentatious, vulgar, and unthinking rich. They are exceptional. They are not representative of the rich as a class, but a noisy vulgarian makes more noise than a quiet and stable citizen, and in a democratic political society does unending harm. I think it possible, however, that most Englishmen and Englishwomen realise this, to whatever class they belong. There will always be some persons unwitted, abnormal, wicked, or immoral. For economic investigation, therefore, we must only consider the other four higher classes. In my own mind I have always pictured them as a flight of steps. Now what may be termed the destitute class are those who have their weekly wages and nothing beyond ; in the event of national calamity, sickness, unemployment, or death of the breadwinner, they have no resource but the Poor Law. As a matter of fact, the vast majority of people in a civilised community like England could keep body and soul together without the aid of the Poor Law. There are an infinite variety of expedients of a humble sort open to the tramp and the poorest slum-dweller, to the destitute and even to the feeble-minded. It is not a desirable life, but it is better than the animal-like death of the destitute savage. The remark is only advanced here, not as

a recommendation to a career, but only as a plain statement of the lowest limit of life under civilisation. It is the guaranteed minimum, and the chief distinction between capitalist society and barbarism.\* They are sure of life itself. They are sure of medical relief. All the essentials of mere life are theirs for the asking, but nothing that makes life worth living. The class above, whom I have called the Comfortable, have certain other resources. They can always keep out of the Poor Law, and either savings, family connections, or greater personal ability and adaptability, keep them safe above the destitute line. There is a considerable interchange of persons between the two classes, some go up a step, some go down one.

Now the state of things pictured here represents a certain improvement on the lot of the primitive savage. Life and existence are safe. All the population are on the first step. This represents the great claim of civilisation, which is a guarantee, more or less absolute, against death from starvation. But it is only the first step of civilisation. We shall never reach the social splendours pictured in "Looking Backward." It is not desirable that we should. No man, as Mr. Hilaire Belloc observed, ever existed who felt (not said) that he wanted economic equality. If we have enough for ourselves, we don't care how much more somebody else has. Mr. Belloc might have gone on to point out that desire really runs the other way, and that, so inborn is the love of power, many of us like to feel that we have a bit more than some other person.

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\* "See Booth's *Life and Labour of the People in London*," and Mayhew's *"London Labour and the London Poor,"* 1861.

We always contrast ourselves with those below and rarely with those above. But though the demand for social and economic equality is never likely to arise, the demand for comfort and security is fierce and clamant, and it is right that it should be so. The problem before us is therefore this. The savage began on the level; he was not sure of life. We to-day are on the first step. We are sure of life, but we are not sure of comfort and respect. The next great step in human evolution is, how shall all right-living men come to be sure not only of life, but also of comfort and respect? Such a condition has been attained, though rarely in human history. It can, I am convinced, be attained in our British society in the very near future; when the ladder of life shall begin at the second, and not on the bottom rung. When the British citizen shall be born into the world with a birthright indeed.

I am convinced that the only worthy way in which this can be accomplished is by a development of private enterprise, but private enterprise on a basis of greater national prosperity, in which men may still work under the spur of incentive for material things, shall still have the opportunity of economic power and dignified station, shall still, if they desire it, be able to walk with the kings of old in wealth and stateliness. There are so many human desires and sympathies that cannot be ignored, and just as the author of the "Rights of Man" laid down the rule that all men are entitled to the pursuit of happiness, we cannot bar the road by law to the gratification of any personal desire which does not offend the law of God, without inflicting damage on some of our fellows. There are, after all, but two economic systems, and two only, based on the two sets of motives by which

the great bulk of the materials of human subsistence and comfort have hitherto been produced and reproduced, "one system is economical competition, the other consists in the daily task, perhaps fairly and kindly allotted; but enforced by the prison or the scourge. So far as we have any experience to teach us, we are driven to the conclusion that every society of men must adopt one system or the other, or it will pass through penury to starvation." \* This is confirmed by the Socialists themselves: "Under the higher phase of Communism there will be no need for any exact calculations by Society of the quantity of products to be distributed to each of its members; each will take freely according to his needs. From the capitalist point of view, it is easy to declaim such a social order and to sneer at the Socialists—thereby capitalists only display at once their ignorance—for it has never entered the head of any Socialist to promise that the highest phase of Communism will ever actually arrive. As long as the highest phase of Communism has not arrived, the Socialists demand the strictest control by society and the State of the quantity of labour and the quantity of consumption." †

I have made a very moderate forecast of the ultimate fate of capitalist society. It is, however, a state more flattering and more agreeable than the most extravagant promise which M. Lenin dares to make, and I feel certain that mine is the better way.

The question remains as to how it is to be accomplished. We have a situation of exceptional difficulty to face, which really arises because during the

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\* Maine: "Popular Government," p. 52.

† "The State and Revolution," by N. Lenin, p. 100.

past two generations we have made such rapid progress in two at least of the matters in which progress is possible. This sounds paradoxical, but it is not so really, for the two advances are in material wealth on the one hand and in education of the lower classes on the other.

The education has proceeded faster than the economic betterment. It is right that it should be so, for the capacity to enjoy should precede the enjoyment. This of itself has created a certain discontent. Let me put it this way: the labourer of 1820 would have been overwhelmed had he received as a sudden gift the conditions, industrial, social and economic, which the labourer of to-day regards as less than his due, but the labourer of to-day, though less skilled in some things, is on the whole an infinitely better educated man with more refined tastes and better capacity to enjoy. The luxuries of one age are the comforts of the next, and the comforts of the past are the necessities of to-day.

Were this not so, one would be prepared to suggest that the whole matter had better be left to the evolutionary powers, but the supply (i.e. the degree of improvement in social conditions) has not kept pace with the demand (i.e. the labourer's idea, fostered by improved education) of what constitutes a standard of humane living. Of course, all labourers have not reached the same level. Some have not advanced beyond the 1800 standard of culture; some are, in this as in other classes of the community, ahead of their age. It is from very deep conviction that I draw attention to this aspect of the case. In studying the development of Bolshevism in Russia the first impression and the most lasting impression which strikes the mind is

the horrible and revolting cruelty of the whole business. Past life, customs, social conventions, make such an enormous difference in our ways of looking at things. It is all very well to say, as the Bolsheviks said, in turning the middle and upper classes out of their comfortable homes in Petrograd and forcing them to herd with the "proletariat" in the awful slums of that frightful city that it was no worse for the bourgeoisie than it was for the "workers." It was worse. Let any decent English labourer ask himself how he would like to leave his "little brick box with a slate-lid," decked and furnished with his humble household goods hallowed by years, and be turned out to dwell with the lowest variety of Chinese coolie. It would be unendurable. I don't say that the coolie likes it, but he tolerates it with more equanimity than the Englishman would. There is always an unspeakable horror in descending from a higher to a lower stage of civilisation.

It was some sort of feeling of this kind which revolted the whole country at the condition of our English prisoners in Germany during the war—that they were "too good" to be treated like "Germans." A natural and kindly arrogance.

Now, included in our English working classes are many who from natural refinement or acquired culture are revolted by the conditions under which they live. I believe the majority of them are not so. They are in the main contented and hopeful. They have never known better conditions—have probably never known any so good—as those in which they live. But the cases I have mentioned are tragic. There are cases equally hard in all classes of society, but the cure is not found in any Socialist solution. The square man in a round hole



is more frequently found in official life than anywhere else.

Be this how it may, though it may be sound economic wisdom (as I personally believe it to be) to refrain from tampering with a natural evolution by any act of State, it is not sound political wisdom. For by the very discontent and impatience which we know to exist the ship of State may be wrecked and that natural evolution arrested by one or other of the many forms of civil disturbance. In all kindness and truth, one is bound to confess that the average working-class voter (or many voters in other classes either) is not competent to form a reasoned and accurate judgment on the solution even of the problems that vex his own existence, and is likely, therefore, to do harm by an attempted false solution. We must, therefore, in order to overtake the educational development to which I have alluded, discover some process of speeding up, if possible, the economic development which we all of us desire to see.

Obviously this requires prevision. We must act in conformity with and not against the economic forces, and we must discover those social expedients which are most easily and naturally brought about, which will have the most beneficial immediate effect and which will not sacrifice any future development to present comfort. The boy at fourteen of poor parents is often placed in some employment, van-boy, office-boy, or telegraph-boy, which brings in an immediate return, but wastes his best years and leaves him loose on the world at eighteen or so. He has been following a "blind alley." Well, even in the travail of our present problems, we must not sacrifice our future by a

surrender of principle to present ease. We must not steer our nation into a blind alley.

It will be convenient before we proceed to examine how to apply the social remedies I have in mind to eliminate certain factors in political discussion which have in the past and do at present hamper our progress. The first of these is the idea of social and economic equality. Nobody wants this. We are an old nation. There is not one of us who has not in his veins the blood both of princes and paupers, and the Government of this nation would be simplified infinitely if we did but realise as overtly as we do tacitly that common nationality which belongs to rich and poor alike. In the next place the vast bulk of the nation is innately conservative, using the word in its best sense. It hates the iconoclast, and knows in its inner consciousness that reverence is no servile trait, but a proof of modesty of soul and dignity of character. If one could but read into the inner thoughts of the average working man, one would find imprinted there a passionate love for the green land we call England, for our ancient monarchy and our splendid history. Nobody that counts wants to destroy the old things, for they are England. But we do want to clean some of them. This is not perhaps exactly relevant to an economic inquiry, but we cannot neglect these human instincts, and I think it is the neglect of these two ideas, or rather the assumption of their opposite, which has ruined many a reform. You cannot stir up enthusiasm for a cause which gives as its main argument two theories which we all deny in our hearts.

We must further, before actually considering remedies, examine the spirit in which reforms must be carried out. Plainly, an attitude of

robbery on the one side and of concession and charity on the other is not ideal. We must arrive at our end by agreement in the common interest. Both parties may gain and neither lose. The application of Adam Smith's first principle of commerce \* is as appropriate in the tripartite agreement of Consumer, Capitalist and Labourer as it is in the interchange of commodities.

Perhaps the strongest accusation against Socialism, if we view it from the standpoint of natural law, is that it is nothing more at its best than an act of social philanthropy. All social action which aims at improving the condition of the poorer classes must be looked at in one of two aspects. It is either an act of prevention or an act of temporary amelioration. All good political action should be both. With Socialism, however, we have seen that by no possibility could it produce the ultimate effects claimed for it; being false to natural law, it must ultimately end in depressing the standard of a whole population, and not even raising the standard of our poorest class to-day. It remains to be seen whether its immediate benefit, if partially applied, would outweigh this disadvantage.

Two courses are open to the Socialist. One is the conversion of our institutions into a communal republic by one sudden, violent and catastrophic action, as in Russia to-day. It is common knowledge how this has resulted in vast disasters to the bulk of the population and how rapine, starvation and disease are stalking hand in hand, a triumph of terror through that unhappy land. It is claimed,

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\* That in Commercial Exchange properly conducted both sides gain and neither loses.

however, that these stories, strongly accredited as they are, are lies. That social justice and organisation are the results of the work of Lenin and his fellow desperadoes, that Russia is better and happier to-day than she was before the war, is a ridiculous assertion, based on the evidence of one or two of the less intelligent even of Labour journalists, who, ignorant of the language of Russia, have spent a few weeks on a personally conducted tour of Russia under the guardianship of the Bolshevik leaders themselves. We may be perfectly sure that Mr. Price, Mr. Lansbury and Mr. Goode, who have made themselves notorious here by their farcical "investigations" of Bolshevik Russia and the credulity with which they swallowed any story told them by the Anarchist commissaries, saw nothing that the Bolsheviks did not want them to see. However, it is not even necessary to go so far as this. It is quite possible to assume that the lower classes of Russia are for the present more comfortably situated than they were yesterday, and still not grant the further assumption that the revolution was to their advantage. You cannot both eat your cake and have it. You cannot live upon your capital and provide for the future, and the consumption of capital must lead to ultimate penury. Russia is to-day devouring the accumulations of past ages; she is consuming more than she provides, and if for the moment she has increased the standard of living, it means twofold suffering to-morrow. The end of Bolshevism is already in sight, not from any conscious counter-revolution, but because in a very short period it will be found that Russia has consumed her accumulations, and with insufficient income and decreased production, an era of famine and despair lies in front of her, in

which not even the Red armies will receive their rations, and a starving and maddened populace, "the wild-mob's million feet," will stamp the Communal Directorate back into the filth from which they never ought to have emerged. There is almost incontestable reason for the belief that anticipation of this collapse of this scheme is present in the minds of the Soviet "Government," and the bringing of the remainder of Europe within their reach for plunder is as much present in their minds as a motive for extending their sway, as the mere old-time reason of the exchanges alluded to elsewhere. Western Europe, and even Germany, offer rich prizes to the starving Red Army. Any examination of the admissions of the Bolshevists themselves at once destroys faith in the success of their scheme. They may, it is true, by wholesale repression and confiscation of and from rich and poor alike have restored order of a sort after the welter and chaos of the revolution, but the point is not whether Bolshevist Russia is better for the man of the people in 1920 than it was in 1919, but whether it is as good as it was in 1917. All the evidence is that the revolution has made it worse. Indeed, the Soviet Commission appointed in July, 1919, reported seven months later that the amount of material damage caused by the Bolshevists themselves amounted to the vast sum of £3,400,000,000, or nearly half the entire British War Loan. To a country poor in capital as Russia always was, this is an almost irreplaceable loss.

Most people, indeed, may get some comfort from the fact that this Socialist experiment took place in Russia, and not here. It is the unfortunate Russian who by his suffering has warned humanity. Probably the Socialist propaganda in the world had

proceeded so far that there was no way of ending the interminable discussion other than by demonstration of the falsity of the theory by experiment. In that event, the Russian experience has served humanity well. Like Carthage, who demonstrated the futility of mercenary armies, or Germany, who proved the insanity of militarism under modern conditions, and Spain, who proved the emptiness of an exclusive mercantilism, or Greece, who proved at once the high ends of municipal life and the perils of political subdivision, Russia takes her place in the long list of martyr nations who have helped us to the truth by an unsuccessful and ruinous experiment. The only real misfortune is that the Russian vivisection has been carried out on such a vast scale. A much smaller nation would have served the purpose equally well.

The results of all catastrophic changes on an organism are dislocation and suffering. It does not matter whether the organism be simple, as in the case of a man, or complex, as in the case of a State, catastrophic change results in pain and shock. Nor does it matter whether the change is fundamental, as in the complete change from individualism to collectivism, as in Russia, or subsidiary, as in the change from one price level to another, as in England. All history is a process of change, or it would not be history, and those nations are fortunate which escape catastrophe and realise evolution. No change can be for the benefit of a people when its future means certain collapse, and its present social disorder. The other course suggested is a change into collectivism by progressive evolution. There we must ask ourselves whether the amelioration of the lot of the poor which might conceivably be achieved by partial Socialistic legislation is purchased at too dear



a price by the inevitable payment which must ultimately be made, with added interest.

Socialistic legislation may be aptly regarded as a drug. Unquestionably in a case of sickness of the human organisation drugs such as morphine may not infrequently be used with advantage. As a relief from intolerable present pain, as an anæsthetic under the influence of which difficult, torturing and complex surgical operations may be carried out, a drug serves. A drug has always some ill-effects, and we believe that it is an established fact that could it be dispensed with the patient would recover more rapidly. Again, the administration of such a drug as this very often leads to a renewed craving, for its sensual effects alone, long after the original cause for its administration has ceased, and thus a habit is formed which leads to the ultimate physical and mental ruin of the victim.

What we realise most plainly in any considered contemplation of Socialism is that it is a drug of the morphine family, and that its actions upon the body politic is extraordinarily rapid and poisonous. If men may rely upon the State for one thing, they may justly argue, rely upon it for another, and so the madness proceeds, from free breakfasts for necessitous children to State endowment of all maternity. The sophism is so easy, so obvious in its deceptive simplicity, to those not accustomed to weigh evidence and investigate causation that the degeneration proceeds apace and the Socialistic State in all its natural indecency looms upon the view. A State in which men prate of rights and never of duties, and rave about distribution while they shirk production. A fabric of a State in which the citizens are no longer pillars of the temple, but mere excrescences hanging from the portico. In

attempting to describe those remedies for existing discontent I think will be found satisfactory, practicable, and certain in their effect, I must first set out certain general principles.

1. It is not possible to cure all evil. There will always be a certain number of foolish and idle rich. They are now popular with no class and social (not legal) pressure is exerted against them continually. They represent a certain social waste, but can on the whole be treated as negligible. Similarly, there will always be a certain amount of poverty among the half-witted and vicious poor. Under no circumstances could this class be eliminated, though it could possibly be reduced. The vast mass of the population, however, falls into neither of these two classes and public policy can safely ignore them. Neither the few idle and incompetent and ostentatious rich, nor the more numerous *abnormal* poor, must be allowed to influence the general economic philosophy of the nation. Equanimity must be preserved, and neither contempt nor misplaced envy of the one, nor ill-placed sympathy with the others, must be allowed to disturb the broad tenor of the nation's way in regard to the mass of its citizens.

2. With this exception poverty can and should be eliminated. It is not necessary either as a reserve of labour or as a spur to progress. It is a cause of taxation, a burden on the efficient, and a source in itself of inefficiency.

3. The principle of social and economic inequality must be admitted. It is necessary as an incentive to ambition. It is, further, only in a condition of social inequality that it is theoretically possible to make all men content.

4. The wage level must be economic, that is, it

must be below that point of labour-cost above which an industry would cease to be profitable to capital in world competition.

5. It is essential that the labourer shall receive such opportunities as will enable him by the practice of thrift and industry to acquire, before the beginning of senility, such resources as will make him, in a modest way, financially independent.

6. The concession of the principle of free exchange.

These six pervading ideas have either received consideration in the preceding pages or require little comment. On the last two only will further observation be convenient. It is not, I think, unnecessary to refer here to that remarkable collection of his father's papers which the Registrar-General, Sir Bernard Mallet, prepared about thirty years ago. Free exchange is something more than a question of tariff. It is a distinct bid for the solution of the social problem, and asserts in the broadest sense the principle of private property. "You in England," as an American observer once said, "have the protective idea permeating the whole of your internal policy. You are only free traders externally. I think the paternal or protective system does more mischief when applied internally than when applied externally."\*

This is entirely apart from any question of tariff reform, which is not a principle but an expedient designed to meet particular circumstances. On circumstances its propriety entirely depends. Government interference of any kind is an evil—tariffs just like other forms of it. Further, State interference is invariably necessary to cure the ills created by State interference in the first place.

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\* "Free Exchange," by Sir Louis Mallet, p. 15. 1891.

Foreign tariffs and bonuses, countervailing duties and preferences, are all State interference with our people here, just as a home tariff is. Under certain circumstances a tariff by way of reprisal might therefore and probably would be legitimate.

To-day, however, the circumstances are entirely different to those before the war. Practically the whole of Europe is clamouring for free trade, and it certainly appears that as far as Europe goes, at any rate, the era of international free trade has opened. There is a fair chance therefore that that remarkable prophecy of Cobden's may at last, though long delayed, be fulfilled, though for very different reasons than those anticipated by him. If this is so, the last theoretical claim in favour of Socialism disappears and the views of the Utilitarian school are finally confirmed.

It is impossible to deride or to abolish nationality. It is necessary for the development of progress of distinct sections of the human family on their own peculiar conditions, the conditions they find most congenial to themselves. Granted this, we must also grant the desirability of diligent and friendly intercourse among the family of nations. There cannot be intercourse between communities. Intercourse must be through individuals. You cannot mix two different liquids in the mass, the mingling must be by the percolation of particles. And in the development of free exchange among all nations, so necessary now for the salvation of Europe, only the percolation of the human particles of national masses can achieve the result. I write as one who under the artificial conditions before the war was a tariff reformer. Under similar conditions I should still be a tariff reformer, but Europe's great chance for international free trade has come at last,

that free trade which we have never yet tried. One cannot both refute the arguments of Socialists and not profess free exchange. For all tariffs are a theft of private property. The Excess Profits Tax is open, of course, to similar objections.

It is, however, rather with internal free exchange that we are concerned here, and its effect on the distribution of property. By natural action property tends towards equalisation of distribution. The death of a property owner is followed by the division of his estate, and this subdivision of ownership and control tends, generation by generation, to enlarge the class of property owners. Continued indefinitely and without interruption, it must in the end, after some generations, not only bring about a mingling of class and class, but also cause the vast majority of a people to be sharers in its capital. In the case of peasant ownership of land, the effects are obvious, though open to an objection. By continued devolution the holdings frequently become so small as to become uneconomic. In the case of industrial capital, however, this objection does not apply. Land is limited in area, but credit is not. Industrial capital is but the seed which every man with knowledge and industry may use, to raise a harvest beneficial to himself and his neighbours.

In times of prosperity this process is intensified in rapidity, for with a fairly homogeneous population, of intelligent culture and free opportunity, both competition and natural endeavour tend to equalisation of property. With every removal of obstacles to free intercourse we find a gradual approximation of fortune, whether from concession or imitation; on the whole it may fairly be claimed that the freer the intercourse between man and man

the nearer we get to that equity of administration, unity of feeling, and security of fortune for all which is the firmest basis for national prosperity.

Certain traditional customs have existed in England which were a bar to this free exchange. One of these is sufficiently prominent to earn a fuller examination.\* I refer to the custom of primogeniture. In feudal days, when every estate was a self-contained unit, growing all it needed for its own consumption, and conducting its own simple manufactures, the necessities of proper leadership and the due performance of feudal incidents necessitated some form of primogeniture. To-day all this is changed. The break-up of the great estates; the fact that the great fortunes are now industrial or commercial and not agrarian; the absence of any real reason for discrimination between children, are all contributing causes to the decay of primogeniture. The change is all for the good. There is no use in persisting in an outworn custom when its continuance involves no benefit, but causes injustice among those nearest and dearest.

There will be few tears shed over the final disappearance of the preference for the first born. Allied with this is another matter which deserves increased attention at the present day. This is the leasehold system.

In the days of the great estate a system of parting with land was devised by which all break-up of an estate was efficiently prevented. The great landowner of the past had a belief that it was undesirable "to have two landowners in the same village." Further, he had a strong instinct for heredity.

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\* Since the above was written the Law of Property Bill, 1920, has been published. It aims at somewhat similar reforms to those advocated here.



He wanted to keep his estate together for his descendants. Accordingly, if he parted with land it was only for a limited term (generally ninety-nine years), at the end of which period it was to be returned to his descendants with everything on it. Now this had a very bad political effect. It ignored the great truth that it was desirable in the interests of national stability to recognise that poor or humble men had every bit as much right to be concerned in the prosperity of their descendants as the landowner had in the greatness of his. We must for the future cultivate the spirit of thrift and family affection, not by making them hopeless, but by generous encouragement, and leasehold enfranchisement is one of the first reforms that should be carried out.\* Whatever may be the truth respecting the merits of free trade or protection in our international relations, there can be no question that free trade within this kingdom itself is a clamant necessity. It is idle to decry competition when we have not got competition, to clamour for free exchange abroad when we have not got free exchange at home. All monopoly is bad, whether the monopoly of the landlord, the trust, the State, or the co-operative society. The greatest of all commodities is the land, and it is the hope of the writer to see, at no distant date, a reform of the conveyancing acts, an alteration of the laws governing intestacy in its operation on real property, and leasehold enfranchisement. It is only by this means that those who desire can acquire ownership of their native acres, only by this means that the best use can be

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\* The extensive purchases, during the past two years, by tenants, of leasehold houses, add to the desirability of the reform.

made of the land of England, only by this means that the creation of that happy bulwark of their country's future—a large class of rural small proprietors—can be established.

“ The peasant does not feel that beneath him yawns a dreadful abyss, in which, owing to an accident, a strike, an attack of sickness, he and his family will be engulfed.”\*

There is one reform which I think should be carried out, which would promote in no small manner the financial stability of the country and promote that permanent and secure prosperity which is so greatly required but which might be considered a violation of the principle of free exchange. If it is an exception to that rule, it is the only exception, and yet it is only apparently in opposition to it. The true economic citizen is not the man, or nowadays even the woman. Neither of these by themselves is an economic *person*. The true *person* is the family. In France the family is supposed legally as well as morally to have an interest in the estate nominally the property of the head of the house, and this in the absence of any settlement or declaration of trust. In the event, therefore, of the family head, through age, intemperance, or moral or intellectual degeneration risking unduly the stability of the family finances a direct appeal to the courts may be made that the person concerned is incompetent, through rashness or otherwise, to manage his own affairs. This falls very far short of a declaration of insanity—it is indeed a very different matter. It serves, however, a wholly beneficial purpose, and to the operation of the law may be laid the claim that family life in

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\* Taine.

France is as a rule stable and secure and that there is a wise caution exercised which, while it may to some extent have neutralised the amassment of large speculative fortunes, has undoubtedly helped in the widespread distribution of capital in that country.

A somewhat similar reform would be brought about by some change in our existing bankruptcy laws. The modern tendency throughout the world is in favour of relieving the debtor. Here the abolition of imprisonment for debt is almost our sole step in tempering the harshness of the law. The custom adopted in the county courts under the Debtors' Act of permitting payment by instalments of an amount ordered by the judge is in many ways very unsatisfactory. Only too frequently the judge fixes the monthly instalment too low, with the result that the creditor in effect has to forgo a large portion of his debt, while other debtors are encouraged to unscrupulous expenditure. In other cases the debtor is burdened with a series of payments which cripple him financially for an indefinite period, and this only too often necessitates a reduced standard of living for his family. The exact balance of justice in such a case is very difficult to find.

I think that the limit of exemption from bankruptcy (£20) in this country is far too low, and certainly since the war, with the reduced value of money, it is only half what it was by pre-war standards. Some settled policy akin to that established in British Columbia, whereby a certain area of farm land possessed by a citizen is exempt from seizure under bankruptcy should be developed here. The sum of twenty pounds—in bedding, clothes and tools—is not sufficient to enable a man with a family

to start in life again. The exemption limit should be gradually increased to a reasonable level—say £200. No creditor would be hoodwinked were the adjustment made gradually and the trusting tradesman could be trusted—if he were not taken by surprise—to look after himself. He would insist to a far greater degree on cash payment than he does at present. This would be a great improvement, for debt and hire-purchase agreements are a cause of poverty, though hire-purchase is occasionally of service on a fair agreement.

Certain other developments or devices may be mentioned here. We have seen that the whole product of industry in one generation becomes the remuneration of labour in the next, and that the capital of which the Socialist complains he is robbed is newly created and of course not by him. Capital, therefore, is in no sense a product of manual labour. It is a source of the wages of manual labour but is not and never has been created by it. Capital is the result of a mental effort, whether in the invention of a machine, of the organisation of an industry, or of new expedients in distribution. The wealth thus created is frequently transferred to other persons in return for the fruit of their ideas or the savings of the product of their labour. Manual labour, as a class, however, has no share in the creation of this wealth. It is something beyond and outside mere manual toil.

To this it may be urged by the Socialists that even granting this argument, the wealth thus acquired gives a command over labour. It gives the power to buy labour, to remunerate it, to enable it to live. Labour would be in sore straits were this not so, but inasmuch as labour absorbs generation by generation the entire fruits of past labour, it is

dependent on the new idea, the fresh organism, for not only its present wage, but for its future hope of increased wage. Capital would die, eaten up by the demands of labour, did it not grow as it lived. It is this which, by the way, gives us the key to the ultimate solution of the Russian situation. Capital there is already dead, and the Bolshevists are feasting on the corpse. When they have consumed it, after an agony, they too will die.

I think most persons capable of thought, with any, even primary, power of abstraction, will realise the truth of the theory I have advanced here. My object in bringing it forward however was not to demonstrate the falsity of the doctrine that labour is the source of wealth, for to my mind that is not really worth arguing. Labour is not a source of wealth. It is the mere conduit pipe through which wealth pours, as an unbiased consideration of the theory of value will show. My object was in truth rather to arrive at such a definition as would enable us to formulate the principle on which a wider distribution of capital might be established. This, I am aware, is the professed object of Socialists too. I have shown in these pages that they would not be able to achieve it by the method they advise. For not only would the mere brutal material fact of State ownership make the lot of all men intolerable, but the solid truth of the theory of value would bring their scheme to a stop like a stone wall built across their path.

What this amounts to is, in the language of the older economists, that capital is the wages fund of labour. Now it is obvious that, depending as it does upon mental, one might almost say spiritual, characteristics, this wage fund is not a fixed and definite amount, it is elastic. It expands with new

ideas ; it grows with increased security and hope. It is no doubt true, as Walker says, that wages are paid out of production, but what is it that makes the production possible ? Production does furnish the true measure of wages, but production in its turn depends on capital. Walker, too, is open to question when he asserts that wages are the residuum of production after the payment of rent, interest and profit. It seems more in accordance with the fact to say that profit is the residuum after the payment of rent, interest and wages. It is far more generally true. For a long time, arguing on the above grounds, it did seem to me that the emigration of capital, that is the creation abroad by English capitalists of factories and workshops, railways and harbours, was in a sense a misfortune for the English labourer as depriving him of employment. I now think this view is limited in outlook and incorrect, for even if the capital goes it creates an equal volume of credit in the country from which it departs and in which it is owned, and credit is capital in the sense in that it employs labour. During the war this was not the case, for during the war all credit had vanished unless there was the certainty of hard money behind it.

One sees then the absurdity of the metaphor employed by Mr. Keynes,\* quite apart from its hopeless inaccuracy of proportion. Labour, nature and the capitalists do not co-operate to "produce a cake," which implies a sense of something fixed and limited in its size. I prefer to think of labour and capital as working together in an orchard, in which year by year the trees grow more mature and the crops heavier.

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\* "Economic Consequences of the Peace," p. 17.



Our immediate object, however, is here the determination of some practical outlet by which we can escape from the existing industrial situation, in which labour is destitute of all reserves. It is easy enough to increase wages with an extension of credit—that always happens in a period of inflation. It is happening now, for treasury notes are credit notes, and just as the value of the nominal pound has sunk in terms of commodities, so it has sunk in terms of labour, and we have the great rise in nominal wages since 1914. This, however, is not the object I have in mind. There is no use in increasing the wages of the labourer at all. He is never any better off. Wages being a cost of production and taxation another cost of production, with every addition to the remuneration of the labourer we simply get a rise of prices, and though nominal wages rise, real wages are stationary or declining. It is, I think, pretty obvious that the labourer of to-day is worse off than before the war. His wife always says so, and she ought to know. The Socialist remedy is no use at all. Old age pensions, free milk, health insurance, bread subsidy, free libraries, education and poor law are all forms of truck. They have to be paid for out of production, and the more items there are of this sort the more prices will rise and the worse off the labourer will be and the less money (real money) there will be in his pocket. Besides, an advance in wages does not mean making a man a capitalist with a little kindgom of his own in the bank or in the land. It does not meet the difficulty either morally or financially. Speaking as an ordinary human being, I had far rather have investments (even if these were nothing more than money spent on an education which yielded me a return in a profession)

than wages or salary. The labourer, it is to be presumed, has a similar preference, and for a similar reason we must rule out any scheme of profit sharing.

The great thing in all schemes of social reform is to get at what is in the mind of the man who is to be reformed. It is the preliminary process and if it is shirked the scheme will fail. Now in nearly all industrial disputes nowadays we have a clamour raised by the men, not necessarily for an advance of wages, but for "the control of the industry." A great many hard words are used indiscriminately in condemning this very absurd demand. It is, of course, put in the bald and unconvincing language used by Mr. Smillie, and I fear also by Mr. J. H. Thomas on occasion, mere Syndicalism. Setting on one side the claims of capital to at all events some of the control of the enterprise in which it is invested, control by labour would reduce industry to chaos. There would be no management capable of managing a wheel-stall, the accumulated capital would disappear in uneconomic wages and at the end of a short period the business would be bankrupt and the men homeless.

We can ignore the arguments of the men's leaders. They are mostly only half-educated, incapable of the literary skill which is required to translate the men's real desires into words. They are, further, trained in "Socialist economics," a training which would ruin the intellect of a Newton, and consists in the memorising of *clichés*, unfounded presumptions, and very imperfect moral philosophy. If this were not enough, they have unbounded faith in themselves and very distinct personal ambitions, which colour to a very large extent any schemes they may concoct for the cure of social ills.

No, what the men themselves feel is this, or something like it. They know that if for some reason or other their trade smashes, if they become invalids, or past work, they have nothing in front of them but the workhouse, the hospital or an old age pension, but that if the capitalist worker becomes incapacitated, he has other resources. If a trade is moribund, capital can cut its losses and retreat from a losing battle. Labour must fight on to the death. Of course, there are many things which qualify this state of things. Labour has resources of a kind; I am merely stating the average discontented and reasonably intelligent working man's point of view. He is told that the control of industry is his way out, and he therefore clamours for the control of industries. He does not really want to control it. What he wants is some, not all, of the economic benefits that control carries with it.

The claim is advanced for labour that it produces all wealth and, therefore, ought to have all the product. When it is pointed out in reply that labour to-day uses expensive engines which it did not produce, labour retorts that these engines in the past were created by labour, and that therefore labour, as a class, is entitled to them. This is mere braggadocio and polemic. The people of past ages governed in what they conceived to be their own interests. We cannot enter now into their thoughts or understand their point of view. We only know that they directed the devolution of their property to suit themselves, and that we to-day entered into a situation they made for us. There is no use in going into past history. The middle class and aristocracy of to-day are just as much the descendants of labour in the past as the Socialists

and Trade Unionists. Nothing can be more futile than the Socialists' defence of their theories by an appeal to past history. Labour has not been dispossessed and robbed, for it never had anything to be dispossessed of, and if the robbery was perpetrated it is quite possible that the proletariat of to-day are descended from the robbers. There can be no class consciousness between a ploughman in one generation and a cotton operative in another. They are in a different dimension. We must deal with the world as it is and start with the existing situation.

I have shown that the entire product of industry, or a fund equal to it, in one generation becomes the remuneration of labour in the succeeding generation. What is past is past, and in any event capital itself is certain to perish. Jevons has shown \* that the life of even so solid and permanent a thing as the British sovereign is only 200 years. At the end of that time, worn away by its passage through a world too rough for it, like the Greek nymph wearied by the importunities of her hundred lovers, it has faded away to nothingness. A house is another example. The ordinary house has a life of about 150 years. At the end of that time it is useless and unsafe. Take it in general of capital, as expressed in material things, the things that labour digs or makes, they all come to an end. No depreciation account, no repairs can keep these things for ever. Fixed capital is like Cassim's slippers in the "Arabian Nights," which had first a new sole, then a new heel, and then a new upper, but were still the same slippers. Only one thing is permanent, not fixed capital nor liquid, nor money, nor credit, but only the basis of credit; the

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\* "Investigations in Currency and Finance."

belief that things can be re-created, the power to direct this re-creation, the hope of the future. These are only the things that really last. They constitute the immortal germ from which all things spring. And they are the chief things which Socialism is out to destroy. What we have to do is to draw a line across the ledger. What people have, let them keep. Let us end the era of persecution of capital, that capital which has served us well in the past, and look forward clear-eyed to the future. If labour desires, and it is right that it should desire, a lot in the future less sordid, less insecure, less penurious than it has had in the past, it must look not to the old lands, or the old wealth, but to the new lands and the new wealth. In that new wealth now being slowly created labour and capital must enter into some form of co-partnership. I propose in a very tentative and halting way to set forth what seems to me to be the main essentials of that co-partnership. Two principal conditions of success must be made clear: The first of these relates to increased production; the second to the nature of the undertaking in which co-partnership is to be developed. It is quite obvious that the increase of wealth depends on increased production, and that unless more wealth is produced no scheme of social reform, good or bad, could possibly succeed. The condition of the exchanges to-day clearly proves that we are consuming more than we produce, and that any scheme of betterment for the labouring classes would, as carrying with it increased consumption, simply hasten on the day of national collapse. We are all of us aware that the appeals for increased production addressed to Labour fall upon deaf ears. Why this is so, Mr. Jack London, a Socialist himself, makes clear :

“ The organisation of labour is one of the chief acknowledged factors in the retrogression of British trade. The workers have become class conscious as never before. The wrong of one is the wrong of all. They have come to realise in a short-sighted way that their masters’ interests are not their interests. The harder they work, they believe, the more wealth they create for their masters. Further, the more work they do in one day, the fewer men will be needed to do the work. So the unions place a day’s stint upon their members beyond which they are not permitted to go.”

Of course this is false economics and, in fact, downright nonsense, but the belief is there. It not only contributes to the defeat of English industry in the international market, but it limits the production of English wealth, and postpones, even indeed prohibits, the social betterment the Trade Unions profess to desire. No doubt the policy, if intensified and persisted in for a long enough period, would end in the extinction of the hated English capitalist, but it would also end in the extinction of the English labourer. As it is, it hits the labourer harder than the capitalist—it causes fewer goods to be made, and consequently contributes in no small degree to the high prices of which we all complain, and necessarily to a decline in the real value of wages.

I believe the key to the existence of the feeling lies in the fluctuations of the piece rate, and that English capitalists have been almost as short-sighted as English labour. Labour says, with some degree of truth, that manufacturers have an idea at the back of their minds of a standard maximum wage, just as labour has of a standard minimum wage. Now in fixing piece rates there has in the



past been a tendency to reduce them as the workman got more efficient and showed signs of exceeding the standard maximum. Now all labour falls into three arbitrary grades, the expert, the average, and the slow. Thus, suppose the average worker was able to make, say, in a working week 1,600 articles at a piece rate of 2s. 6d. per 100, the standard wage would be £2.\* The slow workman might only make 1,200 and so get 30s., the fast workman 2,000, and so receive £2 10s. Now the employer would consider £2 the standard wage. He would try to reduce the piece rate to 2s. a hundred, so that the standard maximum would be fixed by the fastest workman, the labourer would try to fix the piece rate at 3s. 4d. so that the slowest workman would get the standard wage. Both would be wrong. The employer because he penalised ability, the labourer because he put a premium on sloth.

I think in such a case it would be to the advantage of the employer to put a higher piece rate for the fastest production. In ordinary life we generally find that the greater the ability the higher the rate per unit of work done. A very able author for instance takes no more trouble in writing a book than a less gifted man, but he gets more money. He is also able to get more books published, and so makes money at both ends. This rule is perfectly natural and should apply to labour too. Thus the employer, in the examples I have quoted, might increase the piece rate to the fastest workmen, leaving the average rate and the standard wage untouched. For example, his rate might be 2s. 6d. per 100 up to a production of 1,400 per week, over

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\* These figures are purely arbitrary, and are not intended to suggest the author's idea of a fair wage.

and above that production, a piece rate of 3s. per 100 on all work turned out. Thus the slow workman would be making 30s., the average would make £2, and the expert £3. It would pay the employer, for with greater intensity, his overhead charges per article would be proportionately reduced. In all probability, too, the reward of industry would stimulate the other workers. The capacity of workmen increases from two causes : (1) increased skill on the part of the workman, for which he should receive full recognition ; (2) improved machinery installed by the employer, for which he should be remunerated. On the installation of new machinery all aspects of the question should be discussed in a friendly spirit and fairly adjusted between these two claims.

Our object being to create as large a number as possible of working-man capitalists arrangements should be made—where the business is a limited company—for investment of this premium piece rate in the firm. Thus in the example I have given the normal piece rate is 2s. 6d. on a production of 2,000, giving a wage of £2 10s. 0d. per week. The premium piece rate is 6d. on a production of 2,000, giving a premium of 10s. per week, or £25 per year. This should be allotted to the workman by means of shares in the business, and the added interest should be a further investment. Thus by the end of the tenth year the workman would be found to have nearly £300 in the business. By the end of an average working life he would have well over £1,000 to his credit. Of course, if at any time he transferred to any other business he would either retain or sell (preferably the latter) his shares. Probably it would be found best to consider these investments as debentures. It is all-important that the principal should be safe.

The second difficulty I referred to in the initiation of a co-partnership scheme lies in the business itself in which the men are employed, for as at present constituted not all businesses are suitable for arrangements of this kind. Co-partnership has been tried with success in certain big monopolist companies like the South Metropolitan Gas Company. But there are a great number of firms—partnerships, the smaller limited companies and other enterprises of a speculative kind which employ in the aggregate many hundreds of thousands of men—which are not at all under existing arrangements suitable for co-partnership. The working man is a small investor, and he must have what is the first necessity of all small investors, a guarantee as near absolute as possible that he shall not lose his money.

It is obvious that such a considerable number of men should not be left devoid of the benefits of co-partnership, and, therefore, some means of providing for them should be devised. Several suggestions present themselves. A year or two ago, the Department of Scientific and Industrial Research completed a scheme for forming Trade Associations of firms engaged in particular industries for the purpose of research in the interest of British trade. It is intended, I believe, ultimately, to form associations of the kind in every branch of industry. To extend these Trade Associations for the purpose of co-partnership investments should be a matter of no difficulty. For instance, the men's contributions might be paid into a fund held by the association, which could then, on the same terms as a bank, loan certain portions of the fund to the different firms thus contributing. They might again be invested in a special branch of the Public Trustee's

Office, or they might be paid into court by the firms themselves by analogy with the deposit funds under the Life Assurance Companies' Payment into Court Act.

The accumulation of funds in the hands of the working classes could be materially assisted by a sane system of insurance. The industrial companies so favoured by the wage-earners for insurance in small amounts are no doubt better than no insurance at all, but the terms necessarily exacted by these companies are exorbitant. By the system of weekly collection of premiums by peripatetic agents the cost of premiums is very nearly doubled, while the uncertainty about the continuance of the policy by the person insured allows, comparatively, only a small benefit. It would be far better did the working classes invest in ordinary life policies ; the practice of the necessary thrift in saving the quarterly or half-yearly premiums would be good training. The argument frequently advanced in these pages that the labouring class represents that class which has failed to keep abreast of modern civilisation is confirmed by their method of insurance. They practically all of them insure, but out of thirty-five reasonably intelligent members of the class whom I recently questioned with a view to ascertaining the extent of their knowledge on the matter, only one had ever heard of endowment insurance. To add to the humour of the situation, he was a Socialist, and hazily imagined there was something dishonest about it. Under these circumstances it is idle to urge on behalf of the labourers that he is purposely kept outside of the benefits of modern finance. He is to no small extent out of it because of his own ignorance, which is no one's fault but his own.

Much more could be done with insurance than is done at present. I have never liked our system of old age pensions, but probably the repeal of the scheme is impracticable. Even so, however, it should be run alongside a scheme of contributory pensions and the provision which limits the pension to those not possessing means should be cut out. As it stands to-day, the old age pension is a premium upon lack of thrift. Why a man who has made no effort to provide for himself beyond keeping himself off the rates should be better treated than one who has worked and thought hard and saved a few hundred pounds passes the comprehension. Either the old age pension should be abolished in favour of a contributory scheme, or it should be made universal. Preferably the latter under existing circumstances.

In any event a contributory scheme should be instituted without further delay, and it could be run alternatively or concurrently with the existing scheme of old age pensions. I think as things stand we must regard the old age pension by now as a vested interest in behalf of the population, but I personally should be prepared to give some very considerable preference financially to the citizen who waived his right to it in favour of a contributory scheme.

Working through the great insurance companies as the health insurance works through the approved societies a contributory scheme could be very easily inaugurated. My figures are liable to correction, and, probably, in view of the enormous volume of business created, even better benefits could be granted, but in round figures, some such result as the following could be produced. A man at twenty-one, by paying a premium of one shilling a week, would

be entitled at age sixty-five to a pension of £15 a year. At that age, as an insured person, he could surrender his claims to the present old age pension and receive a further £15 from the Government. This would give him £30 a year at sixty-five. If he chose, he could, of course, insure in multiple of this sum and in such a case might be encouraged to do so by bonus of, say, £5 a year additional from the Government at age sixty-five. Thus for two shillings a week the ordinary labourer could secure a pension of £1 a week at age sixty-five. A married couple, by merging their insurances, for four shillings a week would receive £100 a year at age sixty-five, and pass their declining years in ease, comfort and security. In view of the increased level of wages the premiums suggested here are not beyond the means of any of the labouring classes, and the self-denial needed is by no means severe.

The report of the Departmental Committee on Industrial Assurance\* bears out many of the contentions I have ventured to suggest here. For many years I have viewed all working-class thrift institutions with grave suspicion, and this very valuable report confirms these suspicions. The ground of complaint is fundamental and easily summarised. It is that the working-class investor receives smaller profits, undergoes greater risks, pays higher working expenses and is subject to more onerous conditions than the ordinary investor. It is all his own fault, and is to some extent the result of class feeling. His teachers (Socialists, Fabians, Labour Leaders and the rest of them) have taught him for years that capitalist finance was dishonest and would trick him. They have

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\* 1920. Cmd. 614.



tried to persuade him out of the habit of thrift\*, but finding that impossible, have sought to confine his investments to organisations which they viewed favourably because there was a chance of gathering these institutions under their own control. I never see a Labour member on the platform at a Co-operative Congress, for instance, without suspecting that his object in being there is summed up in the formula of "one for co-operation and two for the Labour Party."

The Industrial Assurance Report is valuable in the information it gives. It is valuable for many sound deductions from that information, and its suggestions should be carried out without delay. There were two faults in the agitation. The first of these is that it devoted far too much attention to the agents. The agents after all are a small matter. They are really parasites on working-class thrift. The real issue is that of the policy holders. The other fault is a fault of the terms of reference of the committee. They are not inclusive enough. We want a Royal Commission to sit upon the whole matter—to take evidence respecting not only Industrial Insurance Companies and Collecting Societies, but also Slate Clubs, Friendly Societies, Building Societies, Co-operative Societies, Trade Unions and Savings Banks.

I have said that the working-class investor gets smaller profits and less security than the ordinary investor. This is because he does not know how to invest money, and those to whom he trusts his money—being generally of his own class—do not know either. It is the old question of

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\* "The New Catechism of Socialism," by Bax and Quelch.

“ management ” to which I have repeatedly drawn attention in these pages. The working man’s worst foe is his own ignorance ; his next enemy, often an enemy trying to be a friend, is the society official to whom he entrusts his interests.

The Commission I have suggested should not consist of people who have always shown an interest in and taken part in working-class thrift movements, but should be competent and impartial. High and respected financial authorities, people who really do understand the money market, should be the tribunal. The others should be called as witnesses and cross-examined. I am confident that good would result, that the eyes of many people would be opened to the follies of the past and that the great thrift institutions would take a new lease of life and become what they ought to have become long ago—a real source of provision for their members.

Any and every means should be taken to bring home to the working classes the opportunities that lie thick around them, and in the schemes of adult education undertaken since the war, in which the London County Council have taken such a notable part, room should be found for explaining to the ignorant majority the nature and ways of life of the community in which they live and which so few have taken the trouble to understand. Here, indeed, in education, we do find work within the provinces of the State, and so vast is the task before us, and so little has yet been accomplished, that I can only view with resentment the dissipation of public energies in the countless other directions in which they were so needlessly displayed before the war.

It is interesting in this connection to observe the difference between the townsman and the rural

labourer. The former, with a vastly more complicated life around him, with plentiful opportunities, makes little mental effort. Occasionally he takes an interest in Labour politics—the shadow of a shadow—but is very far indeed from realities. It is nothing to him why ships sail the seas, or how cottons are sold in China, or wheat reared in the Canadian North-West. He lives in a glory of commerce and enterprise, yet drifts through life bemused and unseeing. Our English workman, good and skilful as he is, honest and patriotic as I believe him to be, is bound to be beaten by races or peoples of more alert intelligence unless he can tear himself away from the hypnotism of Labour politics and enter into realities. In Carlyle's wonderful phrase: "He is merely conjugating irregular verbs while the world is on fire."

It may be news to his conceit to be told that the despised rustic, Hodge the Chawbacon, is the width of the universe in front of him in comprehension of actual life and in sympathy with and knowledge of his environment. I have sometimes questioned whether modern education did any good, contrasting the genius of the old illiterate shepherds I knew as a boy in the Yorkshire dales with the soporific minds of the average working-class citizen of London or Manchester. I used to think that it was the machine-made education of modern times that had stifled their natural shrewdness; and that the Board School child was not educated, but deprived of natural genius and moulded into semi-idiocy. This was unjust. On more mature thought one realises that the countryman, even if "educated," is a better citizen than the townsman, for the life of the fields, the changing shadows on down and moor, the river in flood, the starry sky, are

thought-producing in themselves. These always change, but the roll of traffic by the "Elephant and Castle"—one long unchanging roar, the electric lamps on the Hammersmith road, the automatic purr of the Tube trains. These never vary. Man's work has not the insistent variety of Nature's.

The result is easily seen in their varying views of their work. The town worker, as a whole, has no idea of any process beyond the immediate work that is his, the agricultural worker knows his whole business from A to Z. He knows where to buy and where to sell; if he gets his chance he can seize it. The agricultural public is an instructed public. The town public is not. It is merely conceited.

The establishment of a settled policy of everywhere giving the lower ranks a chance to become capitalists is a clamant need—but many occasions arise in which a step forward could be taken but which is thrown away from failure to realise the opportunity. One of these was the proposed issue of premium bonds. The real interest of the experiment lay not in the puritanic opposition to gambling, or to the fact that a great or a small sum for national purposes could be raised by this means. To the writer its great attraction lay in that here was a truly democratic road to fortune, by means of which many could have hope, and a few success, introduced into their lives by a means which would impoverish no man. Here was the Goddess Chance holding out equal opportunity to rich and poor, to great and small; and the offer was declined. It is to be presumed that the Labour Party opposed premium bonds because it meant increasing the number of capitalists, just as they opposed leasehold enfranchisement, because it meant increasing the number of landlords!

Another point which deserves consideration is the great question of statistics. If we are to reconstruct our nation after the great cataclysm of the past six years, we must have information to go upon. During the past fifty years things have changed enormously. National problems, the matters which men discuss when they meet, have altered enormously in quality and in kind; yet, to judge from the "Statistical Abstract," our statistics are still presented to us in the same form as in 1870, and information upon matters upon which we are keenly interested is not offered us. The Royal Statistical Society has recently taken this matter up, and is, I believe, preparing a scheme or model upon which national figures might be presented, and it is therefore perhaps unnecessary to press the matter here.\* But we do want reasonable and satisfactory information on national production—it is a grave fault that 1907 is the most recent information on this point. We do want some idea of the number of landowners. I have some idea it was about a million and a half in 1913, but since the break-up of estates and the recent boom in house-selling it must be enormously increased—but whether the number is now three millions or six millions one cannot say. So, too, we want information about wages. The change in the value of money, the great advances that have been made in the nominal wages of all workers since the beginning of the war makes this specially interesting. At the present time the most favoured argument of the agitator is to make wild assertions about the respective shares of capital and labour in the product of industry. I have endeavoured

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\* Some of the more recent White Papers are admirable.

in a former chapter to deal very shortly with this division as it is to-day, but until we have accurate figures we shall still be the victims of socialist misrepresentations and malignance.

Finally, every possible step should be taken to encourage thrift. The national thrift of the British people is a farce. They have the instincts of thrift. They have in innumerable ways bravely struggled to establish their economic independence, but the whole thing is a failure. The building societies have on the whole been a fiasco, at all events in the past. Industrial insurance is on the wrong lines. The Trade Unions are turning into political associations and largely letting their provident business slide. The Post Office Savings Bank pays a rate of interest which is contemptible. Generally speaking, of working-class investments one can say that they are insecure, unprofitable and therefore untempting. They ought to be profitable, safe, and attractive.

It is time for the British labouring classes to put their own house in order. One half of the self-denial which is practised in useless strikes, one quarter of the thought which is frittered away on dreams of ideal commonwealths, one iota of the pluck and enterprise which is the inherited possession of the Englishman, if turned in the right direction would make of this a great and happy and prosperous land in which no virtuous man need be penurious, and no growing youth, no budding womanhood creep upwards to a wasted maturity, lank and cancerous like the shoots of a cellar-kept vegetable. The late President Roosevelt used to say that if every man looked after himself and his wife and family properly, and fitted himself properly for the task, there would be no need for the



State to look after him, but that he and his fellows in their daily lives would be looking after the State.

There is a growing habit in this country of sneering at things we do not understand. It is not a new failing; it exists in all peoples and in all times, but with us it is not as the old sneer was against the foreigner, which had a laugh behind it, but a sneer against ourselves, with a scowl behind it. A bitter sneer. This to a large extent arises from the Socialist propaganda to the effect that those things in our body politic which they do not understand are invented to their disadvantage; that the vast mechanism of modern commerce which keeps them clothed and fed is but a design to cheat them, and that those who steer the delicate threads of international finance to their appointed ends, bill-brokers, merchants, shippers and bankers are but battenning on the lifeblood of the workers. Nothing could be more grotesque. These cogs in the vast and intricate machine of modern civilised life have been placed there because they were found to be necessary, they perform functions indispensable to the orderly performance of its work by the mechanism; and in the fierce competition, the ruthless assessment of values of European business, we may be quite sure that no cog-wheel would long survive that did not serve, not necessarily the community, but certainly the processes by which the community exists. Let us look at a great bank. I never pass the doors of one without the feeling that here at least is order and method, is that wide vision and comprehension without which all labour is futile; that there is something in the brain behind those polished doors which looks not for immediate reward, but waits, inhumanly patient, for the appointed end.

“Unscrupulousness in business is legitimate, as business, but it is unenlightened in the view of the great banks. There is more altruism in business than people think. Business is not philanthropy, finance is not altruism. From time to time men hit on some improvement in the way of making things, or in the way of dealing with things after they are made, that is to say in business methods. Every such improvement increases the wealth of the world, tends to make everybody richer, tends to lessen the labour required for certain results, and therefore to increase men’s power. To add to the world’s wealth, to add to the general wealth, we add to our own wealth. Therefore we own our wealth in the service of humanity. These are business principles.” So say the great banks. They speak truly. But it is a point of view that has not occurred to the Labour Party.

Here we have the very soul of the utilitarian principle—acquisition. But we must trace it deeper than that. There is not a child, however young, there is not an animal risen above mere insensate existence that has not the instinct of private property implanted in it. The child by the seashore knows its own bucket and spade from those of other children, invisible as the distinction may be to its elders. By some tiny smear of paint, some knot in the wood, some curve, some dent, it knows its own property and clings to it. The fox in its earth was one of the earliest landlords and no other fox dare intrude upon the litter. So long as men are still men will this feeling endure.

There is nothing permanent in collective ownership. All public property in the end reverts to the condition of private property. Things rejected by the community are treasured by the individual;

and bit by bit, stone by stone, rivet by rivet, all our present vast accumulations fall to pieces and are carried away by the human ants. Consumption is the end of all property. It is an individual act, and just as the end of all things made by hands is to be consumed, so even the stately palaces of our imperial administrators shall one day come to be the hiding places of poor men, or the haunt of owls. The Socialists are following an illusion, and even if they succeed in implanting their scheme upon a worried world, future generations would see it melt away, and possibly the sons of men already born hunting over the waste-heaps of a vanished State in the search for things to make their own. I think most of us feel this in our hearts. It is easiest to realise the truth when it is reduced to the ultimate, gloomy as such a Ragnarock may be.

However, we are far from the decay and sunset of mankind as yet, and in England we are further than many other peoples. We are an old people, long resident in our small island, yet still seeing with the eyes of youth through the windows that look upon the world, preserving still that most blessed of gifts in age, a green memory and a heart youthful and brave.

We have many grievances to amend, but with it all it is not the system of private enterprise that is wrong. The fault is that that system, slowly maturing through the ages, has not as yet enfolded all men in its embrace. There is only one remedy for ills to-day; to bring all men to the level of present-day knowledge. There is no other remedy than this, and no social system, Socialism, association, commission, co-operation or collectivism will ever succeed until men enter it, on equal terms, as volunteers.

One of the main difficulties in contesting the fallacies of Socialism is that the Socialists live in a world of their own—a world of dreams and fictions. They bring to the solution of the problems of men and women the method of reasoning and the scheming of children. Take to the busy bill-broker, the scientific banker, the far-seeing organiser of victory in industry and production, what passes for fact with Fabians and Socialists, and the arguments they have erected on them, and he takes you for a madman. The real world is not as the Socialist imagines it is, the things he thinks are difficulties for solution are not the real difficulties. Those lie far behind, hidden from all but the men who are wrestling with them. In writing these lines I have tried to see with the eyes of a Socialist, to put myself as it were into the mental environment of an intelligent child of three years of age and to discuss with them these contentions in their own spirit of make believe—for the world as the Socialists see it is to the real world as the trade of children playing at shop is to the transactions of international commerce.

And yet we must deal with the bulk of our fellow citizens on this basis, we must restore to them that confidence in our institutions and our law which the loved children of an English home have in the parents who guide their destiny. A vast cloud of suspicion hangs over the existing laws and institutions of the civilised world. The detestable theory of class-consciousness and of the war of the classes, manufactured by Socialist and Labour leader, is responsible for this. The logical deduction from their contention is that a Parliament or a Congress elected by "capitalists" has governed the country in the interests of capitalists alone, and has,

with flagrant misuse of honour, thwarted and wronged the lower classes throughout. It is the utilitarian principle applied by a malignant and base imagination. It professes to teach that labour is all that is high and holy and intelligent, while capital is corrupt and greedy. Nothing could be farther from the truth. Good and evil exist in all classes in equal proportions, intelligence (that is, instructed opinion) is more predominant in the richer classes than in the poorer. The rich understand while the poor—as a class—do not. An example of this will suffice. It is practically the universal opinion of the working men of this country that the Companies Acts, or law of limited liability, was devised and carried into force by company promoters and their hangers-on in order to defraud their creditors. This grotesque belief poisons much of our political life. It comes as a complete surprise to most working men that the whole law of limited liability was devised in the interests of poor men and the small investor—or, in their own phraseology, in the interest of the man as opposed to the money-power. Co-operative societies are of course usually limited companies, and co-operators understand fairly well, but the bulk of the labouring class do not. To tell to one of these men, for instance, the story of the Glasgow Bank\* is a pleasant experience. One sees the dawning confidence in English law restored to his soul.

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\* The City of Glasgow Bank was an unlimited company, and failed in 1878. Its shareholders were jointly and severally liable for the whole debts of the bank, and thus a shareholder, who had invested £100 or less would be liable for the whole debts of the Bank, which ran into millions. Practically the whole of the shareholders, rich and poor alike, were totally ruined.

The motto of that American revolutionary society, known as the Industrial Workers of the World, is "Workers of the world unite, you have the world to gain." I think that is more true than its authors imagine. I have elsewhere endeavoured to show that what is called "the capitalist share" is wealth newly created generation by generation, and that, since the industrial revolution, labour has in a succeeding generation stepped into possession of the whole product of industry of the preceding generation. Contemplation of this fact leads to a realisation of the inherent falsity of the Socialist doctrine that everything has already been appropriated by the capitalist class, and that there is nothing left for the proletariat. It is false, because only a small fraction of the wealth of the world has been appropriated, and if the workers of the world would unite with us in appropriating it, there might be some hope for the solution of social problems by the one sound solution of plenty and prosperity for all. For the wealth of the world is but scratched. It is there in front of us in endless profusion.

It is one of the truisms of life that nothing becomes of service to humanity until it becomes the subject of private property. Of what use is a potato until it is owned and eaten. Of what service to humanity is a potato that is owned by the community? To take a more historical example however. Canada began her life as a nation, stepping out into the world like Pallas, armed and equipped. Behind her lay the accumulated wisdom of the ages, before her lay the trackless wastes of virgin soil, of mere and mountain, wood and stream—empty. For three thousand miles, west and north, lay one of the gardens of the world, desolate, without a home or a



chimney-corner upon it, almost without a man. So it had been for countless ages. And then the magic spoke. Already we see arisen upon it one of the hero-nations of the world, which has given us, and will give us again, soldiers and philosophers, poets, statesmen, and merchant princes. What word was it which wrought the change which altered the face of half a continent from a solitude to a home of men. It was "homestead." While these leagues of countless wealth were the property of the State, they were empty and desolate indeed, but once they became the subject of private property, houses arose, fruit trees bloomed, wheat glowed in the sunshine, children played.

We live in the era of exact knowledge. There is practically no limit to the conquests which may be achieved over nature. The ungotten wealth of the world, far greater in amount than the mind can dwell upon, is still to be won. What labour has to do is to improve itself, to cease from its infantile speculations upon new theories of distribution, and devote its attention to the new method of production which has been developed while labour leaders were still wrangling about the imagined wrongs of 100 years ago, about a few cottagers and their goose-greens long vanished from the world.

Indeed, this last is typical of the Socialist argument as a whole. They do discuss at such enormous expenditure of time and energy a barren mass of non-essentials. What does it matter if there are a few idle rich with a few scores of millions of pounds? In the agitation, disturbance and animosity caused by their own propaganda, the Socialists are delaying the realisation of the untapped resources of nature.

If it appears from these pages that the writer subscribes to the materialist conception of history,

this book will have been written in vain. This theory is the cardinal tenet of all Socialism. Men, it says, are not the captains of their souls. They are the puppets of blind self-acting forces. Their lives and deaths are fore-ordained. Their social conditions grow, their institutions develop, according to immutable law. This view can only be adopted by those who confuse economic and intellectual development, and these two do not by any means move along the same lines. Economic development does progress in more or less regular stages. Intellectual development is spasmodic. The materialist conception also assumes, and this is quite unwarrantable, that a whole population reaches simultaneously the same stage of mental, moral and economic development. It is the fact that they do not, and that genius, that faculty of mankind which is the ultimate source of all change for the better, is not only rare but of unascertainable origin, which confirms the truth of the individualist theory. If the materialist conception is true, Marx, the Socialist idol, might never have lived, the efforts of Socialist demagogues are vain oratory, popular election is waste of time, and all the religions of the world but empty ritual. It is the fact that men do struggle and plan and toil and invent that changes things, and the only excuse for the materialist conception is, that these changes are changes in such complex factors that we cannot reckon them—but the fact that we cannot calculate a thing is no reason for denying its existence.

The Socialists confuse the effect with the cause. Under the various forms of individualist society which have so far made up almost our entire human history the materialist conception has been disproved ; but granted a world of Socialist society

the materialist conception would become a true one. For belief in Socialism and dependence on the State lead to abrogation of human independence, and men's lives are governed by the State, which in its turn obeys those blind laws which only the intelligence of man actively employed can overcome—those blind laws which enforce the rule that everything which becomes stationary shall decay.

Mill, in his essay on "Liberty," deplored the trespass of the State into what has been hitherto regarded as the particular domain of private enterprise, viz., the actual winning of material resources, on the ground that it converted the active and independent citizen into a mere hanger-on of the Government. This objection therefore was based upon grounds of general morality, and in this direction at least has never been seriously challenged. Now why, for purely economic reasons, it is good to possess active and independent citizens, and why liberty itself is a real and prolific source of wealth is a matter that is comparatively easy of demonstration. Society itself consists of human factors. Each one of these possesses certain qualities, good or bad, as opinion may vary. Their human qualities expressed as emotions are the forces which make for the progress and preservation of society. That society is the most vigorous, therefore, and capable of the greatest service to its constituent members, which makes the most complete use of these forces. It must not act in opposition to them, for then they not only waste, but malevolent. It must, in fact, as far as possible, avail itself of all these forces so as to procure the greatest possible material welfare for its members. This and this alone is the aim of economic science.

The earlier schools of economists were to some

extent influenced by Comte, who expressed in the terms of theoretical mechanics the actions, reactions and impelling causes of the forces of the social state. Since Spencer this attitude has been largely abandoned, and we have the far truer conception, not of the State as a machine obeying mathematical and mechanical law, but rather as a living organism obeying biological law. This, of course, is a very commonplace statement of the modern view, but it is only introduced here because of a mistake which is, I think, almost universally made, and that is to regard the State as a reasoning organism. Whatever it is, it is not that. It is either instinctive or intuitive, and this is where the mentality of the State differs from that of the individual.

We have to-day an advantage over the earlier philosophers in that we have abandoned the idea of unity in anything material. We think of such a simple thing as a horseshoe for instance as a mass of vibrating particles. We know that the human body is a kingdom in itself in that it consists of not one life, but of millions of separate lives. Each of these swims as it were in its own orbit. It is infinitesimal compared to its parent world, but yet contains within itself vast powers for good or ill.

Bluntschli\* admits that as the tendency to political life is found in human nature, that so far the State is a natural organism, but that it is really, in its main aspects, the work of man. This is rather a superficial view of comparative jurisprudence, and Bagehot in that carefully traced essay of his, "Nation-making," seems to be nearer to the truth in his description of the State as an organism which

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\* "The State," p. 19.

has grown according to the laws of evolution and nature, unconsciously and blindly. If it has any volition at all it is the volition of instinct and not of reason.

The State itself, therefore, apart from its individual leaders of thought, has no collective voice, no voice that is to express the fruits of reason. The instinct of the crowd, the collective voice of the sum total of citizens, is static. It is like the hum of a hive of bees, like the roar of a lion, or the bray of a donkey, whichever simile may be preferred. Lions always have roared and always will, donkeys have always brayed, bees buzzed, and the collective multitude, unguided, would say the things their fathers said, just as the donkey does. It follows from this that the State never takes an opinion in its entirety even from a proved leader, caution or custom, popular prejudice or feeling, will always emasculate a new word. I think it is from facts like these that M. le Bon derives his view that the intellect of a crowd is always lower in intelligence than the mind of the least intellectual person in it—and a crowd will say and do things which no person in it would think of doing of himself—burn down a town hall for instance.

But even if we consent to apply the materialist conception to States as States there is something revolting in it. We feel somehow that the spoken word is not all, that the mundane body is not all, that there is a duplex life for States, as we are taught to believe there is a duplex life for men—and whether we call that other immaterial soul of the State by the name of national spirit, or sacred memory, or merely patriotism, we feel that in our hearts it is there, and that is the greatest of our national possessions.

The crowning infamy of Socialism is, that it teaches those materially destitute that they have no share in their country, and dooms them to whine at the knees of the State, paupers in spirit as in purse. It taketh away from the poor even that which they hath, it steals from he who gives his life for his friend the splendour of his deed. Such a man, says the Socialist, only did what he did because he was what he was. No honour attaches to him. He was only the product of ages of evolution.

Just so far as a State consists of the essentials of territory and people, growing and spreading, or dying away like a plant in a garden ; either blotching its allotted spot like some useless and ugly fungus, or glowing like a tuft of purple aubretia or many hued viola, to that extent the State is a material thing. But we must regard it in a more abstracted sense. It is the living ideal, the national spirit as it is called, the sub-conscious mental attitude of an entire people, which constitutes the real State. This is the real organism, and it is subject to the laws of growth and decay as are all other organisms. Yet, we would like to think, that, as many of us believe the soul of man himself is immortal, so the spirit of a nation is everlasting. It is an early and a primitive idea, picturesque in mythology, and glorious in literature, that somewhere in the empyrean resides the spirit of a nation, brooding, beneficent and all powerful.

If this is so, we, all of us, rich and poor alike, have our share in her, and just as our most precious heritage in England is the memory of great Englishmen who have passed away, and indeed of all our peaceful dead from the leathern-doubletted warriors of Northallerton to those who died amid the scattered



apple blossoms in the orchards of Flanders, so we all owe our devotion to this national goddess, for she is something more lovely even than woods and streams, than green hedgerows and purple moors.

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